RAILROAD INDUSTRY FEATURED IN THIS ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 180 Number 5354 New York 7, N. Y., Thursday, August 26, 1954 Price 40 Cents a Copy

EDITORIAL

As We See It

The opening guns of the 1954 election campaigns have been fired. Others are being brought up into position and presumably will shortly join in the bombardment. The precise terms and turns of the pleas to the voters remain for the future to disclose, of course, but the main outlines begin to be observable here and there. The President may or may not succeed in having the record of his Administration and of the 83rd Congress play a major role, possibly the major role, in the campaigning. There are some solid achievements in that record, and some things that are hardly worthy of support — assuming that anything better is available.

It would certainly be most heartening if the political discussions of the weeks and months prior to the voting were to encompass serious, intelligent and dispassionate analyses of this record, both its merits and its demerits, and if the voting were to prove largely a normal and logical outgrowth of this serious minded appraisal. We most certainly hope that this sort of discussion and contemplation will play some substantial part in determining the outcome this autumn. It must be admitted, however, that the outlook at this moment is not as good as we should like to see it. Red herrings have been dragged across the trail in numbers already, and, strange as it may appear, all but unanimous agreement has been reached at points where there should be no such unanimity.

The thoughtful and realistically minded American citizen will, we believe, agree that all things considered some real progress has been made during the past two years in getting government

Continued on page 24

New Light on the Railroads

By A. M. SAKOLSKI

Dr. Sakolski calls attention to a report of the Committee of Railroad Suppliers, which recounts the amazing story of railroads' achievement in spite of overwhelming restrictions and regulations. The report turns the spotlight of public attention on railroad progress, especially since World War II. It points out no other industry plows back so much of its profits to strengthen equity of shareholders and stresses use of Diesel Locomotives as cutting down operating costs. Other physical betterments adopted by rails in recent years are also described. Calls for relief of railroads from tax-squeezes, undue regulations, and labor featherbedding and make-work rules.

That the general attitude of the financial community toward the railroads is negative for the most part, comes as no surprise to anyone. Knocking the railroads has become a national pastime. But it may surprise the many who, upon careful reflection and analysis of available facts and figures, are forced to conclude that this negative attitude is founded upon a general situation that existed in the post-1929 depression era, when at least one-third of the railroads were forced into bankruptcy. In face of today's situation they find their negative attitude hopelessly outdated and, especially since World War II, without much basis in fact.


A. M. Sakolski

On the contrary, one must conclude that far from being decadent and on the verge of decline, the railroads have a very bright future in front of them and, in the immediate past, they have a record of achievement and modernization which is second to none in the annals of American industry.

That many people are looking at the facts, and that many groups are seeing railroads as the very backbone of freight transportation and the country's economy, is evident from the increasing number of proxy fights around annual meeting time. Whenever a group of "outs" wants to become the "ins" the incumbents must have

Continued on page 20

Railroad Executives Discuss Outlook for the Industry

In articles especially written for the "Chronicle," chief officers of many of the nation's leading carriers, also non-industry authorities, present opinions as to the prospects for individual roads and the industry in general.

The "Chronicle" is privileged to present today the opinions of the chief officers of a representative cross-section of the nation's railroads, along with those of several non-industry authorities, on the economic outlook for the industry as a whole and specific carriers. These articles, especially written for the "Chronicle," begin herewith:

RICHARD F. MITCHELL

Chairman, Interstate Commerce Commission

We Americans have grown accustomed to having the best of everything, and transportation is no exception. We have more and better trains, truck and bus lines, inland water carriers and airlines than any other nation in the world, and all of it is in the hands of private enterprise. This is unique because every other nation turned long ago to government ownership in transportation.

Backstopping all of this country's transportation, except for the airlines and ocean-going vessels, is the oldest U. S. Government regulatory agency—the Interstate Commerce Commission.

From its beginning in 1887, one of the principal tasks of the Commission has been to help the railroads and other transportation agencies maintain their financial health while competing for the vast amounts of revenue freight produced by American industry and agriculture.

At the same time, the Commission must keep a wary eye on the effects that changes in transportation services or rates might have on industry and agriculture, and therefore on the public as a whole, because trans-

Continued on page 6

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

MERTON S. ALLEN
Francis I. du Pont & Co.,
New York City

Harshaw Chemical (Correction)

In an article written by Merton S. Allen of Francis I. du Pont & Co., New York City, and published in this column in the Aug. 12 issue, the common stock of the Harshaw Chemical Co. was incorrectly quoted at 45½-46, when the quotation should have read 46-46¼. Yesterday (Aug. 25) the stock was quoted in the Over-the-Counter market at 51½ bid and 52½ asked.

MORTON GLOBUS
Dreyfus & Co., New York City
Members, New York Stock Exchange and Other Exchanges

Western Union Telegraph Company

The writer has just completed a 5,000 word study of the "New Western Union." Because of space limitations the following general observations from this report are presented herewith:


Morton Globus

As a close observer of Western Union I feel that Western Union which had long been the doormat of the communications industry has now become a growing, vigorous company because of revolutionary technological advancements in transmitting written messages.

The advancements made within the last 10 years rank with the changes of radio to television, and electric power to atomic power.

The messenger boy, the telegraph poles, the pasting of messages to blank telegrams, all landmarks of the first 100 years of Western Union's life, are being rapidly replaced by a new method of written communication, "facsimile," the fleet electric messenger boy.

Since World War II Western Union spent over $125,000,000 (nearly $100 per share) in mechanization and improvement of its plant and equipment. Of this amount approximately $20,000,000, or over $15 a share, will be spent this year, yet current funded debt of $37 million represents the lowest point reached in 34 years . . . since 1920. Debt reduction of $53,000,000 has been accomplished since June, 1947, with consequent savings of approximately $2,265,000 in service charges or $1.60 per share. These vast expenditures in the last decade have accomplished some startling changes in the method of doing business. These changes have brought about drastic reduction of costs and increased operating efficiency and gross income.

The new system has doubled Western Union's World War II message capacity and greatly improved telegraph speed and efficiency. The result is the world's most modern telegraph plant. Ultra modern methods of flashing telegrams through a nation-wide network of high-speed message centers have replaced the manual relay of telegrams.

Although Western Union's gross income in 1953 exceeded that of 1952 by more than $25 million the number of employees was 1,500 less than in 1952, down to 40,398 from 64,570 in 1945. The current total approximates 39,000 employees.

Recently the company concluded a new two-year contract with the unions expiring on May 31, 1956. To offset the wage increase of approximately $7,000,000 Western Union was granted a rate increase effective July 15 designed to yield an additional $10,000,000 a year.

It is believed July will be the first month, after a downtrend of nearly a year, which will show earnings comparable to those of a year preceding, although increased rates were in effect only one-half the month, while labor rates were effective the whole month. Barring a sharp economic reversal it is believed Western Union's gross income and earnings should continue in an upward trend through 1955. Although the company reported $2.68 per share for the first half of 1954 as compared to $3.59 per share for the first half of 1953, earnings for 1954 could compare favorably with $6.77 earned for 1953.

Western Union has 1,231,070 common shares outstanding with a book value of approximately $137 per share. It was once regarded as one of the bluest of blue chips. It paid dividends from 1857 through 1870 and 1874 through 1932. In the years 1926 through 1931 dividends of $8 per share were paid each year. Dividends have been paid in 14 of the last 21 years. A total of three dividends of 75c each have been paid so far this year with $3 paid in 1953 and 1952 and $2 paid in 1950 and 1951.

The stock sold as high as 272¼ in 1929, 96⅛ in 1936 and 53⅜ in 1946. High for 1953 was 48¾ and just recently reached 55⅜.

One of the strongest spots in Western Union is its alert and competent top-notch management.

Other favorable results could be brought about by the negotiations with other major international cable carriers and the possible acquisition of the Teletypewriter Exchange (TWX) and private line telegraph services of the Telephone Company.

Western Union is understood to have the largest and most experienced group of research scientists and engineers in the world devoting their time exclusively to finding and perfecting newer and more efficient methods of telegraphy.

It should be realized that the sending of a telegram is an integral part of our mode of living, and of America. Western Union is synonymous with telegrams.

Although Western Union's previous erratic earnings and dividend record would seem to dictate caution to a purchaser of its shares, it appears that a strong period of growth lies ahead and the purchaser of its shares around $55 should be well rewarded. The writer feels that Western Union is well on its way toward regaining its former status of a blue chip. The stock is listed on the New York Stock Exchange.

This Week's Forum Participants and Their Selections

SAMUEL WEINBERG
Partner, S. Weinberg & Co.,
New York City

Wisconsin Central Railroad Company

It is not often that one finds a situation that affords conservative investors an opportunity to place their funds before the security has appreciated to its real value.


Samuel Weinberg

The Wisconsin Central Railroad Co. recently emerged from bankruptcy after 20 years in the hands of the Courts. The road's credit has vastly improved. There is a possibility of new industry in its area. Also a more favorable agreement with the Soo Line than the existing contract will very likely be concluded. The company's fight for a change in the pooling agreement on iron ore movements would be constructive if a favorable disposition is made.

Analysis of operation expenses reveals economies in both maintenance of way, structures and equipment.

There are outstanding $14,706,900 first mortgage 4s due 2004, currently selling at approximately 83; $20,441,000 income 4½s due 2029, selling at 70. Fixed interest debt was substantially reduced. Fixed charges of the new company will be about $825,000 a year, less than half the predecessor's 1953 charges of $1,864,000. Contingent interest charges are approxiamtely $920,000 a year.

Considering this road's vastly improved credit, the first mortgage 4% bonds, selling to yield approximately 5%, are decidedly undervalued. Long-term liens of such systems as New York Central, Pennsylvania, Reading or Chicago & North Western, to mention a few, are selling at a lower yield, although their credit is no better.

A feature of Wisconsin Central is the compactness of its operation. In 1953 its revenues were equal to $30,588 per mile of road. Receipts from manufactures were 48.4% of its total operating revenues. This density not only exceeds the average of the Northwestern Region of $26,628, but is higher than any carrier in this area with the exception of the Duluth, Missabe and Iron Range Road.

Earnings are holding firmly. April new income was $314,421, off 2.7% against 40.9% for Class I railroads and 87.2% in the territory. For the month of May, available income for fixed charges was $437,153 as against fund interest requirements of $69,848. Thus for the month of May these charges were covered 6.26 times and for the 12 months ended May 31, 1954, 2.94 times. A further improvement is expected for the coming months. June figures just released show new income of $375,182.

Since 1947 the new interest requirements of the Wisconsin Cen-

Continued on page 31

Philosophy of the New Tax Bill

By MARION B. FOLSOM*
Under Secretary of the Treasury

High ranking Treasury official discusses the background and basic objectives of the recently enacted tax law. Says law will remove inequities, give fairer treatment, and reduce hardships, for millions of taxpayers, and will also eliminate some of the deterrents to business expansion. Explains new provisions regarding depreciation deductions and the partial removal of dividend double taxation. Lists a number of tax "loopholes" that have been closed, and contends the "clarifications" in the new law will lighten the burden of compliance and also reduce amount of paper work.

On Monday, Aug. 16, the President signed the tax revision bill which constitutes the first complete overhaul of the Federal tax system since long before the turn of the century. Tax revision as you know, has had an important place in the President's program.

M. B. Folsom

The document, which emerged from the Congress under the title "An act to revise the internal revenue laws of the United States," is a new point of departure in the evolution of our tax system. I should like to discuss some of the principles basic to this legislation.

In his Budget Message to the Congress early this year, the President stated his philosophy of tax revision as follows:

"Revision of the tax system is needed to make tax burdens fairer for millions of individual taxpayers. It is needed to restore normal incentives for sustained production and economic growth. The country's economy has continued to grow during recent years with artificial support from recurring inflation. This is not a solid foundation for prosperity. We must restore conditions which will permit traditional American initiative and production genius to push on to ever higher standards of living and employment. Among these conditions, a fair tax system with minimum restraints on small and growing businesses is especially important."

The job was to translate these guiding principles into the many detailed provisions of the law.

The Background

This task has been under way since the spring of 1953 when the Treasury, acting at the President's direction, joined with the Congressional tax committees and their staffs in a comprehensive review of the entire Internal Revenue Code.

General tax revision was long overdue. The tremendous development of our tax system during the periods of depression, war, and defense build-up had been haphazard. Inequities and inconsistencies crept in. Substantial impediments to economic development appeared. The law itself became complex, cumbersome and, in many cases, unclear.

These conditions produced a vast number of studies and suggestions for reform by individuals, professional groups and Congressional committees. An extensive accumulation of materials of this type existed in the files of the Treasury Department and the Congressional tax staffs. The answers to a questionnaire sent out by the Joint Committee on Internal Revenue Taxation and the hearings of the Committee on Ways and Means in the summer of 1953 brought into focus most of the problems with which we had to deal and provided additional valuable material for our studies.

Throughout our work on the revision bill, we consulted extensively with the individuals and groups best informed on the specific problems under review. We made a particular effort to seek out criticism immediately after the House of Representatives had acted on the proposed new Code. We were aware of the dimensions of the job, as well as the fact that in a good many areas we were proposing substantial innovations. The advice received at that time from professional associations and well-informed individuals was most helpful in revising certain sections of the bill while it was before the Senate.

The Basic Objectives

The basic purpose of our work was tax revision, not tax reduction. Indeed, the bulk of the Administration's tax reduction program was already in effect when the revision bill was passed by the House. Tax reductions made during 1954 total $7.4 billion. This is the largest total dollar reduction during a single year in the country's history, and reflects the Administration's policy of passing on to taxpayers the savings currently being made in governmental expenditures. Since it would have been unwise and irresponsible to make reductions in excess of budgetary economies, the revenue loss which could be absorbed under the revision bill was limited. At the same time, the continued high level of taxation necessitated by our defense needs made it extremely important that the revised law be as sound as we could make it.

The revenue losing provisions of the revision bill involve a loss of about $1.4 billion in the fiscal

Continued on page 22

*An address by Under Secretary Folsom before the American Management Association, New York City, Aug. 19, 1954.

INDEX

Articles and News

*Column not available this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, August 26, 1954

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publication

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Efficient Rails

By IRA U. COBLEIGH

Enterprise Economist

A swift passing look at the railroad equities from the caboose window.

The rails are supposed, at this dramatic stage in our stock market, to confirm the big Dow Jones up swing, and lend substance and support to those security savants who perceive a 400 mark on the D-J market-meter, on the horizon within the next 12 months. But, let's face it, when it comes to this confirmation of the rise, the rails are failing in their function as a sort of market bishop!

Ira U. Cobleigh

Accordingly, now may be a rather nice time to take a look, not at particular issues, but the whole rail market; and to reach, if possible, some conclusions as to why they don't go up; and whether they're really likely to.

First, let us start out by recognizing the fact that the rails are still our most important transport form. They still (in spite of the competition we'll talk about a little later) do over 55% of our national freight transportation, they still gross almost $10 billion a year, and while 1954 looks about 10-12% below 1953 in gross, we're still going to see net earnings of about $575 million; and a very bounteous distribution of dividends is in order—about $380 million I should guess.

Other items in our Pollyana department of this railway comment would include the high solvency of our rails. Twenty years ago about 28% of our mileage was in bankruptcy, staggering under a super trainload of $11 billion in bonds, for the most part with fixed interest, and boasting some sort of lien, however remote and laminated, on trackage, in some instances, heavily oxidized! Today almost all that insolvency is history. The MOP, last of the big reorgs., is now ready for the finishing legal touches, which will return it to solvency; and it looks better by far from the standpoint of condition of property and earning power than it ever did before. And of course there were fortunes in MOP for those smart enough to acquire and retain the old preferred at 75c or the old $1,000 5½s for $50 a bond. But why spoil our day—I didn't either buy or cling to these fantastic gainers and probably you didn't either!

We've even got the Long Island Railroad out of bankruptcy now, and Florida East Coast old 5s have been romping up past 120 on the prospects of early return to financial respectability. Wisconsin Central got back into the fold this year. Fact is the only all-time loser is the Ontario and Western, whose future is bleaker today than it was 10 or 20 years ago.

The major financial triumph, in the welter of railway reorganizations we've touched upon, is the reduction of total indebtedness, and more particularly, of fixed interest charges—those nasty bites that created, in the 30s, what the lawyers so pleasingly referred to as "events of default." We now have less than $9 billion in railway funded debt, calling for annual interest payments in the order of $375 million. In 1932 this interest figure was just a short haul below $700 million!

So you see the past score of years has really recorded a lot of financial house cleaning. This was even more extensive and therapeutic than it looks, for along with all interest and debt reduction, hundreds of millions were plowed back into the roads in the form of new equipment, better roadbeds, longer and more efficient classification yards and terminals, and in particular dieselization. This latter item, dieselization, has, as you know, been a major improver of operating efficiency and earning power; and you are surely familiar with a number of the lines which have achieved complete dieselization. This trend away from steam (the choo choo named expire!) is best evidenced by the fact that, in 1953, the railroads spent $345 million for oil and only 40% of that for coal.

You'd think from the foregoing that with all the recovery and improvement listed, and the resplendent showing of those roads which remained solvent during the troubled 30s, that rails were as desirable as any equities in the market. Some have indeed enhanced their former investment stature.

But it would be somewhat inaccurate to say that there are not some problems confronting tne rails. First there's been, and is, competition for traffic from trucks. Originally confined to haulage of farm products, live stock, manufactured goods, gas and oil products, trucking has spilled over into items like cement, concrete blocks and structural steel. Where trucking was confined to short hauls, it wasn't too serious a threat; in fact it took away from the rails quite a lot of unprofitable L. C. L. tonnage. But when it grew to 25 and 30 ton trailer runs for hundreds of miles it hurt. The rails believe this to be unfair competition. Since they (the rails) own and maintain their own rights of way and pay huge taxes on them, they take a dim view of big over the road trucks and trailers enjoying (and beating up) a right of way, the highway that is, which they do not pay for in ratio to the use they make of it, and the wear they give it.

There are those who believe that this truck competition is on the ebb now due to heavier truck taxes and licensing charges, high union wages, and load limits (and penalties for overload) in many states. Increased traffic on the highways, and congestion in cities, have also slowed truck competition.

A second competitive threat to rails is the pipeline—for both oil and natural gas. Bituminous coal has, by tradition, been the largest single tonnage item for the rails, yet it has, partly because of uncertain supply due to strikes, and partly due to factors of cost and convenience, given some ground to oil and natural gas. As a major offset to this, however, the Atomic Energy installations have created huge new coal demands, and if the problem of ocean shipping cost can be worked out, there's still a large export demand for coal in Spain and England.

About passengers, the 47,000,000 private automobiles have absorbed a big volume, followed by buses and airlines. The latter in 1952, for the first time, turned in more passenger miles than Pullman travel on the rails. In 1922, 22% of railway gross was from passengers. This year it will probably not exceed 6½%. However, this loss is by no means bad news, as much of the earlier rail passenger traffic was carried at a loss. Diesel cars for local runs have recently worked out very well, and the big "name" trains are fine earners.

One especially bright hope has recently emerged for the rails vis a vis their truck competitors — "piggy back" trailer hauls. The highway and street congestion, labor and insurance costs, and perils of long haul driving fatigue have indicated that rails could recover much of this truck trade, if the rates were right, and the speed and service (loading and unloading), efficient. This is not a new idea. It was pioneered by New Haven, and the Chicago Great Western some years ago. New Haven has been making a rather big thing of it, carrying between 35,000 and 40,000 trailers a year between New York and Boston. New type trailer cars, carrying two trailers, plus techniques for unloading "side saddle," (instead of fore and aft like an elongated gangplank as was done in earlier years) give real promise of substantial tonnage. The I.C.C. has deferred, till Jan. 15, 1955, its final tariff approval to certain newcomers, but ultimate acceptance of this traffic seems logical.

From the foregoing we conclude that the rails, in general, enjoy great financial strength, that many of them have done splendidly in lowering operating and transportation ratios, and that roadbed and equipment was probably, across the board, never better. Longer and faster freights, electronic controlled classification yards, and new diesels have made for new levels of total efficiency. Then, too, any traffic increases can be quickly converted to net. It doesn't cost a lot to add 20 cars to a freight train, but since the train was going anyway, upwards of 30% of the take of those 20 cars may wind up in net earnings.

Finally, sound as the rails are generally, some seem more favorably situated than others. The big swing of industry to the South, Southwest and West has clearly built up and benefited roads in those regions. And again, certain managements have stood out in cost controls.

Despite some dips in gross and net this year, there are a lot of fine rail equities which on dividends and outlook, seem attractive and capable of moving up from here in the best Dow style. Some even offer a sort of "Lucky Strike" extra in the form of a land and oil play on the sideroads like Northern Pacific, Canadian Pacific, Southern Pacific and Union Pacific. Maybe it even helps to have the word "Pacific" in the corporate name!

With B. C. Morton

(Special to The Financial Chronicle)

BOSTON, Mass. — Joan A. Majeune is now with B. C. Morton & Co., 131 State Street.

H. C. Wainwright Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Carroll M. Lowenstein has been added to the staff of H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Joins Weeden Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Donald L. Ellison has been added to the staff of Weeden & Co., 24 Milk Street.

With Smith, Hague

(Special to The Financial Chronicle)

ANN ARBOR, Mich.—Marie J. Beckett has joined the staff of Smith, Hague, Noble & Co., State Savings Bank Building.

Now With Bache & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — David Kramer has become associated with Bache & Co., 1000 Baltimore Avenue. He was formerly with Arthur Fels Bond & Mortgage Co.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the period ended on Wednesday of last week continued to show evidence of Summer slackness. Over-all employment, however, was stable and high as layoffs in the automobile, non-electrical machinery and textile industries become markedly fewer.

A seasonal pick-up in hiring in the apparel, food processing and tobacco industries helped to reduce both initial and continued claims for unemployment insurance.

Following a glance at developments in the automobile industry, steel manufacturers reduced their production schedules the past week, but the reduction was slight and orders from small manufacturers and parts producers helped to sustain output. Although tonnage-wise steel ingot production remained close to 30% below a year ago, industry observers felt confident of an upturn in steel buying by Fall.

It was thought generally that the lull in automobile production would not persist for very many more weeks. Stocks of new cars in the hands of franchised dealers in early August were at the lowest level in 18 months. The average was 10.8 vehicles, down from 12.1 cars in July. It was the consensus that automobile assembly lines may be operating at top speed by mid-November as the 1955 models get into production. But production last week was considerably short of top speed; at something over 118,000 automobiles, output was down 2% from a week ago, 23% from a year ago.

Although there was a 12% gain in lumber orders the past week, lumber production remained 40% below a year ago. However, for the first time in some weeks, new orders for lumber exceeded both output and shipments.

Fuel production edged upward slightly, although the output of both coal and oil remained somewhat below year-ago levels. The building boom continued to be reflected in substantial outlays for heavy civil engineering construction, current reports also reveal.

Steel sales officials are watching new orders like hawks for earliest possible confirmation of an upturn in steel buying, says "The Iron Age," national metalworking weekly this week. They are encouraged by a slight increase in new business the current week and are hopeful that the next two weeks will make it clear to all that the market has passed its turning point and is on its way up.

Despite a lot of anxiety and some pessimistic statements, the market is so far following the course that had been generally predicted. Inventory correction and vacations kept the lid on production through the summer. But now that most consumers' stocks are pretty well adjusted, and the end of mass vacations is near, the market is ripe for an upturn, it states.

All that is needed is a strong stimulus and it is still expected that the stimulus will prove to be automotive buying for new models. Auto buying, too, has hit bottom, but it should be clearly on the increase within the next two or three weeks, this trade paper observes.

A statement made this week by "Ward's Automotive Reports," automotive trade authority, predicted a sharp drop in auto production next month, but a big rebound in the first quarter of the year. [Ed.]

Automotive buying for new models will probably show up first in stainless and alloy steel products which require longer production cycles. And large parts makers will probably be in the market ahead of the auto producers, "The Iron Age" declares.

Automakers like to have substantial banks of some parts available in advance of auto production. This has resulted in some renewed buying by parts makers.

Galvanized sheets are still a leader, booked through November on some mills. Oil country goods and structurals are also in very good demand. Plates are easing due to dip in linepipe and tank fabrications. Tinplate, which had been going well, then eased, seems to be getting a second breath. Stainless and alloy business is poor to fair, but producers are hopeful their market is turning. Slight improvement is noted in bars, which are in poor demand, continues this trade magazine.

Distributor sales are a shade better in August than they were in vacation-flattened July. Although warehousemen expect to do considerably better during next few months, there may be some inventory trimming. Because of narrow profit margin, they feel they must speed their turnover. In their efforts to do so, there has been a good deal of price cutting in nearly all areas, this trade paper concludes.

In the automotive industry model changeover lay-offs at Chrysler Corporation held motor vehicle production last week to just above the previous week's 1954 low point, "Ward's Automotive Reports" stated.

The agency counted 98,500 cars and 18,008 trucks as the week's volume. This compared with 100,180 cars and 16,010 trucks last week and 130,493 cars and trucks in the comparable 1953 week.

"Ward's" said assembly lines were down at Willys, Kaiser and Studebaker car factories the past week. Nash car and Willys truck output resumed, however, after two-week vacations.

The statistical agency placed last week's Canadian output at 4,470 cars and 516 trucks. In the preceding week Canadian plants built 2,553 cars and 462 trucks, and in the comparable 1953 week they built 6,165 cars and 1,748 trucks.

"Ward's" computes United States output so far this year at 3,704,049 cars and 685,161 trucks. In the comparable 1953 period 4,226,875 cars and 818,644 trucks were built.

Continued on page 25

SEC Drops Charges Against Otis & Co.

Dismisses complaint that Cleveland investment banking firm had violated anti-fraud and registration provisions of the SEC Act.

On Aug. 24, the Securities and Exchange Commission, after proceedings extending over several years, dismissed the charge that Otis & Co., investment banking firm of Cleveland, Ohio, had violated the anti-fraud and registration provisions of the Securities Act.

The case grew out of the refusal of Otis & Co., in 1948, to carry out an underwriting agreement with the Kaiser-Frazer Company in connection with an issue of additional shares of stock. The underwriting firm's decision was based on the ground that the company failed to disclose in its registration statement the existence of material litigation, including a stockholder's suit charging mismanagement and asking for an injunction against the sale of the stock.

The order instituting the proceedings alleged that Otis & Co. caused a lawsuit to be filed against Kaiser-Frazer for the purpose of evading its obligation under an underwriting agreement connected with the proposed stock issue.

As a result of the termination of the underwriting contract, Kaiser-Frazer entered suit against Otis & Co., and a Federal court awarded damages of $3,120,743 for breach of contract. This decision, however, was reversed by the U. S. Court of Appeals in New York on April 7, 1952, and the U. S. Supreme Court refused to review the judgment of the Appeals Court. Early in the current year, the Kaiser-Frazer Company settled all pending litigation with Otis & Co., without monetary considerations to either party.

The Commission's case against Otis & Co. was to decide whether to revoke the company's registration as a broker and dealer under the Securities Exchange Act, and whether to deprive the company of its membership in the National Association of Securities Dealers, Inc.

In its opinion the SEC pointed out that no harm had come to the public from the whole affair because none of the stock was actually issued. It also noted that Otis & Co. have already suffered such "extensive detriment" from the case that the public interest would require no further penalty.

The SEC also stated that there was insufficient evidence to support the charge that Otis & Co. caused Kaiser-Frazer stockholders to dump their stocks at the very time Kaiser-Frazer was stabilizing the market prior to the new issue, or the charge that the Otis firm sold some of the new issue before the registration statement became effective.

Joins Field, Richards

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Lee H. Grischy has become connected with Field, Richards & Co., Union Central Building.

Observations . . .

By A. WILFRED MAY

World Trade Primer

A highly constructive and timely contribution toward clarifying the elements in our current world economic situation, and weighing our contribution thereto, is contained in a new booklet:—*OUR STAKE IN WORLD TRADE, by ISADOR LUBIN and FORREST D. MURDEN, JR. Foreign Policy Association, New York. Headline Series No. 106. 64 pp. 35c. Includes teaching and discussion guide.* Mr. Lubin is former U. S. Representative to the United Nations Economic and Social Council, and has served four Administrations in a succession of executive and advisory posts. Mr. Murden, now engaged in private industry, has functioned as a highly valued adviser on social affairs at the U. S. Mission to the UN.

A. Wilfred May

Wholly apart from the author's conclusions (with some of which we happen to take issue), this modest treatise will be very helpful to the lay reader in summarizing in un-academic terms the main data comprising the position of the U. S. in international trade up to the present time, and the facts behind our economic policy, present and future.

For example, the celebrated "dollar gap" problem is highlighted and simply explained, by citing the figures for 1952, the last year of the Marshall Plan, of our $15.2 billion exports to the rest of the world, with imports of only $10.8 billion; and by pointing out how, even in the face of the tight restrictions against buying goods from the United States, in 1953 the "gap" was nearly $3 billion.

Europe's increasing dependence on American imports to meet its needs, with the United States' lessening need for Europe, is similarly demonstrated. Europe today consumes about 30% of our total exports, and 50% of our shipments of food and raw materials; with these goods representing 26% of Europe's total imports.

Those Controversial Trade Barriers

America's tariff history since the Civil War days is succinctly described, and its policies attacked. Our protectionism in the face of our creditor status is traced, with tariff rises instituted in 1921 and 1922, and new-highs established via Hawley-Smoot in 1930—all subsidized by a billion dollars of annual loans throughout the 1920's. The history of the Reciprocal Trade Agreements Program, marking the end of strong protectionism, and comprising the central pillar of America's present-day trade policy, is well summarized. In documenting its results, the authors show that the level of duties paid on United States imports fell from 52.8% under the Tariff Act of 1930 to 37.3% in 1939, and 19.4% in 1947; and that in the latter year about 94% of our imports entered the United States under trade agreement provisions. As supporting the stimulation to trade from these reductions, Messrs. Lubin and Murden cite the increase by 63% of our exports to trade agreement countries between 1934-1935 and 1938-1939, in contrast to a mere 3½% increase to non-agreement countries.

Our further labors toward reducing trade barriers through GATT (the General Agreement on Tariffs and Trade) at Geneva in 1947; efforts toward restoring multilateral trade through the World Bank and Fund; the devotion of U. S. resources to rebuild the devastated nations, through the Marshall Plan; our sharing of our industrial technique and scientific know-how through Point Four; are all ably traced within a comparatively few pages.

Our Productivity the Crux

In discussing the economics of our tariff policy, the crucial importance of our productivity emanating from mass-production achievements is wisely stressed. After paying the highest wages in the world, our actual cost of production is the lowest; enabling us to sell profitably billions of dollars worth of goods in competition with foreign producers with far lower wages than here.

The recent report by Howard S. Piquet, "Trade, Aid and the Tariff," showing the negligible impact of potential reduction on our home industries, is importantly referred to. Our authors quote Piquet's estimate that if *all* tariffs and quotas should be suspended the result would be only an import increase ranging from a minimum of about $845 million to a possible maximum of $1.8 billion, or only between 8 and 17%. Although this is irrelevant to the authors' conclusions, it would seem that the important deduction from these data is the rebuttal to the widespread argument that the dollar gap can be cured by American tariff policy.

A wealth of other specific information, such as on "peril point" provisions and mechanics, is likewise included in the volume.

Inflation and Deflation

In a broader aspect, the authors attack current widespread unsound policies of other countries. As they state, in contrast to this decade of "Rube Goldberg contrivances," the world economy before World War I generally ran on all cylinders, despite the rapidity of change, with obeisance to the safety of operations and the security of property for foreign businessmen, and respect for the rules of the game. The great Industrial Revolution of the 19th Century took place in the framework of industrial trade free from restrictions. During that period of unparalleled industrial progress, there was a minimum of restrictions for reducing or distorting the movement of goods between countries.

Deleterious Planning

Likewise in the broad view, the deleterious result of national economic planning in European countries is depicted. As is pointed out, "full employment is wasteful unless it is productive," per the British Labor Government's experimentation with protectionism. Treating of inflation and deflation, our authors point out that the pursuit of inflationary fiscal policies to promote full employment has resulted in their exports being priced out the world market, with depreciation of their currencies and declines in their foreign earnings.

Here are some other representative sound conclusions enunciated by these liberal economists:

"In contrast, countries which have taken deflationary measures have been more successful in expanding their exports and balancing their international accounts. The dynamic revival and current prosperity of the German economy has been generally attributable to its stable monetary policies. The adoption and strict pursuit of sounder fiscal programs would permit many of Europe's import restrictions to be jettisoned. The lowering of tariffs is meaningless in the face of import quotas, exchange controls and restrictions on capital lending—all of which constrict and distort the flow of trade.

"Many countries in Europe must also intensify their efforts to increase their productivity and efficiency. . . . If Europe does not make a greater effort to catch up with America's second industrial revolution, its payments problems with ultimately return even if they appear to be solved in the next few years."

* * *

The more objective understanding by the general public of international trade implications there is, the better. This constructive end Messrs. Lubin and Murden fulfill, in simple comprehensible terms.

Railroad Executives Discuss Outlook for the Industry

Continued from first page

portation costs make up an important part of the prices paid by consumers.

This regulatory task embraces some 22,000 railroads, truck and bus companies, inland water carriers, pipelines, express and sleeping car companies, freight forwarders and brokers. Their combined revenues amount to more than $17 billion per year, and they are performing 20 ton-miles of transportation service every day for each individual in this country.

The problems that grow out of this service and the carriers' constant competition for a greater share of the business lead to some 3,000 decisions by the Commission each year, many of them taking in more than one case.

The Commission also examines and records nearly 50,000 certificates of insurance or surety bonds every year, and ICC staff inspectors annually check on the condition of more than 1,335,000 freight and passenger cars and locomotives.

In spite of the wide scope of the Commission's jurisdiction over transportation and the tremendous complexity of its job, it is limited in the extent to which it can go in governing how a railroad or a truck line, for example, should be run, or what individuals may run it. Private enterprise, aided by sound regulation in the public interest, has been preserved.

There remain, however, many serious and pressing problems which the carriers and the Commission must solve equitably if the nation's transportation system is to remain sound and independent.

One of the most difficult is the losses incurred in railroad transportation of passengers. Automobiles, buses and airplanes have made substantial inroads in the field of long-distance passenger travel that once was occupied almost exclusively by the railroads.

The problem of deficit operations by the railroads in transporting passengers is a national one and it is being attacked by many groups, including the National Association of Railroad and Utilities Commissioners.

There also is room for improvement in the regulatory process, but changes in existing legislation must be approached with great caution. The possibility of over-regulation is as great a threat to the continued prosperity of all forms of transportation as under-regulation would be. A middle area must be found so as to provide the healthy climate necessary for the further growth and development of transportation and so as to assure this nation of adequate transportation for any emergency.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

The decline in general business activity which began during the second half of 1953 had the effect of reducing railroad operating revenues for the first six months of 1954 by nearly 13½%, compared with the same period in 1953. The railroads found it necessary to shave operating expenses wherever possible and to drastically cut back their improvement programs, and this in turn had the effect of reducing the average number of railroad employees by more than 12½% at mid-year. Many costs of ownership such as taxes, depreciation, and interest on borrowed capital continue to run on, and a minimum amount must be expended for maintenance and repairs. Considering the narrow profit margin allowed the railroads by the regulatory agencies, it is remarkable that the railroads, with their huge fixed investment, have been able to keep their net income during the first six months of 1954 from dropping much more than 50% below what it was during the same period last year.

Arthur K. Atkinson

Based on the many indications that the decline has not only leveled off and that there will be a noticeable acceleration in the level of general business activity during the latter part of this year, I believe the railroad industry can look forward to closing out 1954 with its net income being off only about 40% from last year. While this is, in itself, a substantial reduction, it must be kept in mind that 1953 was a year when business activity was at an exceptionally high level.

I believe that competition in the transportation industry will continue at a fast pace and that the railroads will not only hold their own, but regain substantial traffic volume as a result of modifications in the regulatory law permitting greater freedom in developing rates. More aggressive traffic solicitation and improved railroad service to passengers and shippers will prove effective. As railroad earnings gradually improve, we will be in a position to revise our budgets for additions and betterments and reinstate the improvement programs which have temporarily been postponed.

WARREN W. BROWN

President, Chicago, Indianapolis & Louisville Ry. Co. Monon The Hoosier Line

Net income for the nation's Class I railways for the first six months of 1954 is estimated at roughly $224,000,000. Unfortunately, this is a 46% decrease under the same period of 1953. Total operating revenues for all carriers from January through June, 1954, have declined 13% versus the same months of 1953.

Warren W. Brown

The Monon is somewhat more fortunate. Total revenues for the six-month period of 1954 registered only a 6% drop (versus the national 13%) while net income is down 10% (against the national average of 46%).

These statistics for the industry as a whole illustrate graphically the impact which even a slight downturn in business exerts upon the railroads of America. With their heavy capital investments in fixed plant and equipment, and the necessity of maintaining a maximum of competitive services, railroads lack the flexibility to match a dollar of declining revenue with any substantial part of a dollar of reduced operating expenses. Monon's gratifying showing is accounted for by two factors. First, of course, are our relatively high gross earnings. This has been augmented by a program of operating economies instituted on Jan. 1 in anticipation of reduced revenues. When the budgets for 1954 were prepared, we geared expenses to the factor of a business slide that we expected to last until late spring or early summer.

For the entire year 1954, I estimate that Monon's net income will be over $1,000,000, although slightly below the $1,200,000 recorded in 1953. For the carriers as a whole, net for the year is somewhat difficult to predict. I expect business for the balance of the year to continue about the same, but the showing of the industry will depend to a large extent upon individual operating expense reductions instituted in the year's last half.

I am optimistic about the future of business activity in general, and for 1955 in particular. I feel that the railroad industry can expect to move next year about the same amount of traffic it will handle in 1954. This could work itself out to about a 10% reduction in 1955 under 1953 tonnage levels. In itself, this does not seem alarming, but I feel there are two danger signals for railway managers.

In the early part of the year, stockholder groups assumed control of three railway systems. Much common opinion holds that in each case a public relations deficiency in incumbent management was largely responsible for the upheavals. I do not entirely subscribe to that theory. I do feel that the proxy victories indicate a general public dissatisfaction with the past and present condition of the entire industry, and the public's lack of confidence in its earning power and basic strength.

The other sign is increased competition in industry. Progress of that nature always includes investigation into transportation costs, and the inevitable decisions to create cheaper, or new methods of transport. Thus, I look for conveyor belts and other specialized media to join with the others in attacking the rail carriers' percentage of traffic, which has been steadily declining over the years.

Railway managers must recognize a public lack of confidence in their ability to create an industry to match the conception of the people as to what is constituted by a healthy company and a healthy industry.

They must also realize that the dynamics of increased competition in industry can bring only further threats to their ability to compete against the ingenuity of specialized modes of transport.

There is no room in 1955 for sluggishness in railroad management.

GARDNER A. CAVERLY

President, Rutland Railway Corporation

It has always been the expressed purpose of our company to reinvest moneys obtained from the sales of scrap, salvage or real estate wherever and whenever adequate returns could be assured from the reinvestment of such funds in the property. Major improvements in plant facilities have thus been made possible.

The home offices have been moved into the former passenger car repair shop which has been remodeled for the purpose. The building is of adequate size to house all of the departments on one floor. This will permit better control within and between departments and provides a fire-resistant building, fire-proof record vaults and relief from rental payments of about $10,000 per year. The building is utilitarian in every respect, yet has been made attractive and efficient and is one to be proud and efficient and is one to be proud of.

Gardner A. Caverly

During the remainder of this year it is expected that the revamping of the main shop facilities in Rutland will be completed, thus streamlining operations, utilizing fewer buildings but at the same time increasing operating efficiency. The oil, water, sand and fuel supplies are being relocated, for example, and all of them will in the future be available at one central point. A portion of the present machine shop is being assigned to the repair of freight cars so that work on both locomotives and freight cars can be carried on in one building.

When an opportunity can be found, it is proposed to sell the former boiler repair shop (now unused) together with the 25-ton crane, track and supporting steel structure. The former coal-fired heating plant has been permanently closed. Future heating of the consolidated facilities will be furnished by three steam generators previously used in passenger locomotives. This latter change necessitates an expenditure of nearly $50,000 but will result in a saving estimated at approximately $22,000 per year.

Two former passenger stations, one at Bennington, Vt. and the other at Middlebury, Vt. have been leased to the Vermont State Liquor Control Board. Uses are being found for various other facilities such as the former engine house at Ogdensburg, N. Y. which is presently used as a warehouse.

Recently an order has been placed with the Pullman-Standard Company for 50 new all-steel box cars. The company's last purchase of box cars was in 1924, at which time there were approximately 1,500 box cars in the Rutland's ownership. This supply has so dwindled that today there are no more than 275 box cars available for off-line use. Those still in operation have reached an age when there is considerable doubt as to whether additional repair to keep them in serviceable condition is justifiable.

Rental of cars from other roads is expensive. To partially offset this expense, it is felt that some owned cars should be available to earn rentals from other railroads as well as to serve on-line shippers. This box car purchase will cost approximately $300,000, but should return about 12% on the investment at the present daily per-car rental of $2.40.

Other funds derived from scrap and salvage sales have been well invested in modern maintenance of way equipment such as cranes, bulldozers, tie tampers, weed burners, etc.

Business Volume and Revenues

Business-wise, the first six months of this year have been disappointing. Railroads are service organizations and as such their business improves or contracts more or less in proportion to the general level of business. Industrial activity throughout the country is less than that of a year ago and the Rutland's freight traffic, like that of most railroads, has suffered accordingly. For the first six months of 1954 freight traffic revenue was less than in 1953 by approximately $200,000.

To put it another way, the freight revenue for the first six months of 1954 as compared to 1953 was less by approximately 10%. The average five months percentage decrease throughout the country amounted to approximately 14% and that of the Eastern Railroads to 15%.

It is exceedingly fortunate that we are not presently burdened with supporting a costly passenger service. It is, too, most fortunate that sufficient operating economies have been effected over the last three years so that today the Rutland is in a position to withstand a mild recession which would undoubtedly have meant a major disaster had it occurred even a year ago.

During the first six months of 1954 the accounts show a net loss of approximately $117,000. In this connection, however, it should be pointed out that nearly 39% of this loss, or approximately $45,000, was incurred as a result of an accounting adjustment that should have, had the actual amount been known in 1953, been charged to operations of that year. In addition to this extraordinary item, there was also an increased expense this year as compared to last year, of approximately $30,000, incurred as a result of adverse snow conditions in the early winter.

From an operating point of view, it is felt that the present traffic is being handled in an exceedingly efficient manner. The greatest need is more *volume* of traffic. The Rutland handles a very substantial proportion of the total traffic moving by rail originating or terminating in the territory which it serves. In view of this, an increase in tonnage must come from overhead business which, in turn, means an increased effort on the part of the sales soliciting force.

To this end, negotiations are being carried on with all of the road's connecting lines looking to more efficient operation at the several interchange points. Negotiations also are being conducted with neighboring railroads toward the establishment of a faster westbound freight service which we hope will place us in a better competitive position.

To obtain business today, railroads must give fast and consistent service. It is hoped that the steps taken will achieve this desired end, but the matter is under continuous study and the staff is alerted to carrying out this policy in every possible way. A spirit of cooperation from our neighboring roads is hoped for and expected.

St. Lawrence Seaway and Power Project

At this writing it is impossible to predict what and how much traffic will accrue to this company as a result of the development in the St. Lawrence Valley. That region is served principally by four railroads—the Rutland, the New York Central, the Canadian National, the Canadian Pacific and to a lesser degree by a short line, the Norwood & St. Lawrence Railroad. There will be intense competition for the traffic going into the project area but it is our intention, within the limits of our financial resources, to intensively solicit as much of this traffic as possible.

Continued on page 28

The Near-Term Business Outlook

By WILLIAM E. DUNKMAN*
Professor of Economics, University of Rochester
Economic Consultant, The Security Trust Company of Rochester

Professor Dunkman maintains while serious depression has been avoided, sharp upturn could come only as result of heavy military expenditures. Predicts construction will continue as strong sustaining force to end of year, with government spending and business purchases of plant and equipment slightly declining. Concludes motor industry may constitute important depressant.

The Outlook

The decline in business activity has slowed sufficiently to indicate that a serious depression has been avoided. There are no reasons to expect a sharp up-turn other than a resumption of heavy military expenditures or anticipation of such expenditures.


William E. Dunkman

Construction has been and will continue to be a strong sustaining force to the end of the year. Government spending and business purchases of plant and equipment will be at levels only slightly below those at present. Consumer spending has fallen very little during the recession and has been edging upward in recent months.

The chief determinants of the vigor of any upward movement of the economy during the second half of the year will be business policy with regard to inventory accumulation and consumer purchases of automobiles.

The prospect that the economy will not have to adjust to as severe changes in direction in major economic forces as it has during the past 12 months is the fundamental basis for confidence.

Adjustment to What?

The general decline in economic activity which has occurred during the past year is frequently called an inventory adjustment. Adjustment to what? A year ago, the chief adjustment which business faced was a reduced rate of Federal expenditures. Grave fears were expressed during the winter that a business contraction induced by declining military expenditures would become severely cumulative. Now, the adjustment to reduced government expenditures seems to have been made. In addition, business has met a changed pattern of consumer expenditures and has withstood the impact of the inventory adjustment itself. In summary, the contraction in production was an **adjustment to:**

a $6.7 billion decrease in **Federal** expenditures from an $8.9 billion increase during the preceding year.

an increase in the **Federal budget deficit** of $3.0 billion from an increase of $9.5 billion during the preceding year.

a decline in the use of **consumer credit.** During the first quarter of 1954, total consumer debt outstanding fell by $1,745 million compared with an increase of $119 million during the first quarter of 1953.

a decline of $2.5 billion in **consumer purchases** of durable goods and $1.3 billion of non-durable goods. Spending on services, meanwhile, increased by $3.7 billion. (All figures at seasonally adjusted annual rates.)

a decline of $5.5 billion in **business inventories** from an increase of $7.5 billion (both at seasonally adjusted annual rates). This was about as severe a change in spending as that in the Federal budget.

A Basis for Confidence

By the end of the first half of 1954, the economy had adjusted to a sizable reduction in the Federal deficit and major changes of direction in Federal spending, consumer debt, consumer purchases and business inventory policies. No changes so drastic appear to be facing the economy and, hence, more stable conditions can be expected.

Evidence of a Turn

What evidence is there that business is nearing the completion of an adjustment to these changed demands? Most of it is recent and represents a slowing of the rate of decline. No strong upward thrusts have yet appeared. The principal evidence consists of:

Industrial production, which reached 137 in July, 1953, levelled off in April, 1954, at 123, and rose to 125 in May.

Unemployment declined through April and May and rose by much less in June than was expected on a seasonal basis.

Employment has been rising since January although factory employment continued to decline through May. Stability in the number employed in factories in June and an increase in the length of the work week may indicate the end of the decline in factory employment.

Consumer debt increased slightly in May, bringing to a halt the decline which began in January.

Personal savings were higher during the first quarter of 1954 than during the first quarter of 1953.

Personal income after taxes was also higher during the first quarter of 1954 than during the first quarter of 1953.

Retail sales in April and May were better than those of the first three months on a seasonally adjusted basis. **Durable goods** sales accounted for nearly all of the difference between total retail sales in the first half of 1953 and the lower amount during the first half of 1954. Lower **automobile** sales accounted for three-fourths of the difference.

Since the decline in consumer purchases has been in durable goods, a revival in consumer spending will depend upon increased sales of these items. A high level of income, decreased short-term consumer debt, increased savings and the high level of residential building could together stimulate purchases of durable household equipment. Full recovery of consumer spending will depend upon increased buying of automobiles. Discussion of that industry is given below.

Manufacturers' New Orders and Sales: Final evidence that declining business activity may be coming to an end is found in increasing sales and new orders of manufacturers. Both have been increasing since January on a seasonally adjusted basis. Increases have been evident in both durable and non-durable goods. Evidence that government orders may have passed their lowest point suggests that continued improvement may be expected. Manufacturers' backlogs of unfilled orders, however, have continued to decline.

Why the Contraction Was Not More Severe

While indications of the end of the period of contraction are encouraging, the reasons underlying these favorable developments are more important. The possibility that a contraction will spiral downward into depression depths is always a real one. That this does not now appear likely follows from certain strengths which appeared during the past year.

Personal Income: The highest level of personal income was reached in July, 1953 at an annual rate of $287.5 billion. The comparable figure for October, 1953, was still $287.2 billion. The decline to April, 1954, amounted to only 2%, or to an annual rate of $282.0 billion. Unemployment insurance payments and farm price supports contributed to this stability. A more fundamental reason would appear to be the confinement of the major decline in activity to the manufacturing industries which account for about one-fourth of total employment.

Consumption Expenditures: Even more important than the stability of income was the stability of consumption expenditures. The maximum decline was only from $231.0 billion in the third quarter of 1953 to $229.8 billion in the first quarter of 1954. It is reliably estimated that during the second quarter of 1954, such expenditures returned to $231.0 billion.

Business Spending for Plant and Equipment: Much smaller in amount than personal consumption expenditures, but of great importance in the general level of business activity, are business expenditures for plant and equipment. So important are they, that no serious depression has ever occurred without a major decline in expenditures of this type. The degree of business confidence reflected in the extent to which new plant and equipment expenditures have been maintained is largely responsible for the mildness of the depression. Measured at annual rates adjusted for seasonal differences, the decline was only from $28.9 billion during the third quarter of 1953 to $27.5 billion during the first quarter of 1954.

Construction: Construction outlays have been one of the strong sustaining forces in the economy throughout 1953 and especially since October. The $3.1 billion of new construction expenditures during May of this year was an all-time record and the $13.2 billion spent during the first five months of 1954 was 2% above the same months of 1953.

Private residential housing, public utilities, shopping centers, service establishments and churches have accounted for the strength shown in the private sector of the construction industry. Government construction projects (Federal, state and local) have also contributed to the high level of activity. Commercial construction in May reversed the downward drift of the last few months and rose to a new record for the month of May. Private industrial plant construction, which has been falling off gradually since early 1953, continued downward and in May of this year was 14% below the same month last year.

Prices: Contributing to general confidence and thus aiding in sustaining the economy has been the comparative stability of prices. The Bureau of Labor Statistics Index of Consumer Prices has varied only between 113.9 to 115.3 since January, 1953 (1947-1949=100).

The index of wholesale prices has been similarly stable at a level approximately 11% above the 1947-1949 average.

Profits: Also contributing to confidence has been the over-all relatively favorable profits record. Corporate profits after taxes were estimated by the President's Council of Economic Advisors to have been at a seasonally adjusted annual rate of $18 billion during the first quarter of 1954. This was nearly as large as for the years, 1952 and 1953, and represents an increase from a $15.4 billion annual rate in the last quarter of 1953.

Tax Cuts: The effects of the decline in Federal expenditures were partly offset by tax reductions. Full effects of the tax program are not reflected in the results of the 1953-54 fiscal year just ended. But the removal of the excess profits tax and reductions in excise and personal income taxes have undoubtedly had important psychological effects. Total tax collections during fiscal 1954 were $64.6 billion, which was very little below the $64.8 billion collected in fiscal 1953. The importance of the tax program is chiefly in the change of direction. After a steady increase in annual collections from $36.5 billion in 1950 to $64.8 billion in 1953, stability with an outlook for further reductions created a favorable business climate.

Housing Regulations: The reductions in down-payments and lengthened maturities on FHA loans was a stimulating force for certain areas of the housing market.

Federal Reserve Policy: Finally among the sustaining forces must be included the prompt easing of credit conditions by the Federal Reserve in the middle of 1953. After restrictive policies early in the year, the Federal Reserve quickly reversed its policy upon the first indications of a down-turn in production. As a result, interest rates for both long- and short-term obligations have declined and funds have been readily available for all types of borrowers.

The Outlook

In the remainder of this paper the fundamental forces, which will determine **The Outlook** as

Continued on page 24

*An address by Professor Dunkman before the Counsel Club, Rochester, N. Y., July 27, 1954.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Insurance Stocks—Analysis—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japan's Foreign Trade—Discussion in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, N. Y.

Machinery Industry—Analysis in current issue of "Market Pointers":—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is an analysis of the **New Tax Law; Department Stores** and a list of stocks with expected higher earnings and of stocks with high yields.

Municipal Market — Bulletin—Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Oil—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a bulletin on **McDonnell Aircraft Corp.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Utah Area Resources—Booklet—Dept. M., Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

* * *

Allied Stores—Bulletin—J. R. Willison & Co., 111 Broadway, New York 6, N. Y.

American Encaustic Tiling Company—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **National Gypsum Company, National Tea,** and **Neptune Meter.**

American Mercury Insurance Company — Special report — Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

American Metal Products Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Bettinger Corporation—Analysis—Baruch Brothers & Co., Inc., 44 Wall Street, New York 5, N. Y.

Booth Fisheries Corporation — Analysis — Central Republic Company, 209 South La Salle Street, Chicago 90, Ill.

Bulova—Analysis—Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

Certain-teed Products—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Interchemical Corp.**

Chattanooga Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Denver & Rio Grande Western — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **General Motors, Oklahoma Gas & Electric** and **Tri Continental Corp.**

Eastern Industries Incorporated—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Getchell Mine, Inc.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Gulf Coast Leaseholds, Inc.—Analysis—Garrett and Company, Fidelity Union Life Building, Dallas 1, Tex.

Hycon—Literature—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Jefferson Standard Life Insurance Co.—Memorandum—R. S. Dickson & Co., Wilder Building, Charlotte 1, N. C.

Missouri Pacific Reorganization—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Missouri Pacific Railroad Company—Analysis (Bulletin No. 171 and 173)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a leaflet (No. 172) on **Denver & Rio Grande Western Railroad Company.**

Mitsubishi Shoji—Discussion in current issues of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Maruounchi, Chiyoda-ku, Tokyo, Japan.

J. P. Morgan & Co., Inc.—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rockwell Manufacturing Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Shawinigan Water and Power Company—Analysis—Dominion Securities Corporation, 40 Wall Street, New York 5, N. Y.

A. E. Staley Hanufacturing Co.—Memorandum—Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, Boston 10, Mass.

Standard Fruit and Steamship Co.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Standard Oil of New Jersey—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of **Chance Vought Aircraft** and a bulletin on **Deere & Co., Pacific Gas & Electric, P. Lorillard Co., Tennessee Gas Transmission, Mathieson Chemical,** and **United Gas Corp.**

Texas Gulf Producing — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Kelsey-Hayes Wheel** and **Climax Molybdenum.**

Texas & Pacific Railway—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Wisconsin Central Railroad Company 1st Mortgage 4% Bonds of 2004, income 4½s of 2029, and common stock—Analysis giving status—S. Weinberg & Co., 60 Wall Street, New York 5, N. Y.

The Cost of Fringe Benefits

U. S. Chamber of Commerce Puts Figure at $720 per Employee.

WASHINGTON — Final reports from 940 companies reveal that fringe benefit costs — employer payments for social security, pensions, vacations and the like—amounted to $720 per employee during 1953, the National Chamber of Commerce announced this week. The figure was $76 higher than that obtained in a similar survey two years ago.

Emerson P. Schmidt

More than 97% of the companies reported payments for employee insurance programs, with payments averaging 1.8% of payroll. Payments for pensions were reported by 81% of the companies, with payments averaging 4.7% of the payroll.

Fringe payments varied widely among the 1,940 reporting companies, ranging from less than 5% to more than 55% of payroll. The average payment was 19.2% of payroll, 34.6 cents per payroll hour.

By industries, the average payment ranged from 14.3% for pulp, paper, lumber and furniture to 28.7% for banks, finance and trust companies.

In a majority of industries, fringe payments were higher than average in the largest companies and lower than average in the smallest companies.

Fringe payments for 130 identical companies increased from 15.2% of payroll in 1947 to 16.9% in 1949, 19.1% in 1951 and 20.2% in 1953.

Although steadily growing in importance, fringe payments have been neglected in both government and private wage statistics. To fill this statistical void, the Chamber made the first survey in 1947, and at the request of employers has repeated it biennially. There were more requests for the study to be repeated this year than in all previous years put together.

Dr. Emerson P. Schmidt, director of the Chamber's Economic Research Department, which prepared the exhaustive study, said he is gratified to note that the Bureau of Labor Statistics, in cooperation with the National Bureau of Economic Research, is now conducting a pilot study of supplementary employee remuneration in manufacturing.

"We hope," he said, "this augurs the inclusion of fringe benefits data in the Bureau's regular series of wage statistics.

"Worker income and labor costs of doing business are no longer accurately measured by weekly wages and hourly rates," said Dr. Schmidt. "Pensions, social security and a host of other benefits during recent years have substantially increased both the well-being of employees and the costs of doing business. Vacations, holidays, rest periods and other payments for time not worked have given workers increased compensation for each hour actually on the job. At the same time, they have substantially increased the employer's cost for each hour of productive labor."

Dr. Schmidt said it was impossible to calculate the total cost of fringe benefits to business, but said "it runs into the many, many billions. That is certain. Possibly the total cost is somewhere between $20 and $25 billion a year."

Results of the National Chamber's study of fringe benefits for 1953 are in book form which may be obtained from its Economic Research Department at $1 the single copy.

Zilka, Smither Adds

(Special to THE FINANCIAL CHRONICLE)

SALEM, Oreg.—Leonard Rotolo has been added to the staff of Zilka, Smither & Co., Inc., Oregon Building.

COMING EVENTS

In Investment Field

Sept. 10, 1954 (Chicago, Ill.)

Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 10-13, 1954 (Montreal, Canada)

American Statistical Association (Business & Economic Section) convention.

Sept. 17, 1954 (Philadelphia, Pa.)

Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 20, 1954 (Philadelphia, Pa.)

Investment Women's Club of Philadelphia first dinner meeting in the Regency Room of the Barclay Hotel.

Sept. 22-26, 1954 (Atlantic City)

National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)

Board of Governors of Association of Stock Exchange Firms meeting.

Sept. 23, 1954 (Omaha, Neb.)

Nebraska Investment Bankers Association of Omaha and Lincoln bond party at the Omaha Country Club (preceded by a cocktail party for out-of-town guests Wednesday evening, Sept. 22).

Sept. 27-30, 1954 (New York City)

National Association of Securities Administrators meeting at the Hotel Roosevelt.

Oct. 8, 1954 (Rockford, Ill.)

Rockford Security Dealers annual "fling-ding" at the Rockford Country Club.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Three Associated With Arthur M. Krensky Co.

CHICAGO, Ill. — Arthur M. Krensky & Co., Inc., Board of Trade Building, members of the New York and Midwest Stock Exchanges, announce that Robert W. Clark, Jr. has become associated with them as Manager of the syndicate and corporate departments. Vincent C. Garner, Jr. has joined the firm in the municipal department and Richard A. Wernecke in the trading department.

Mr. Clark was formerly syndicate Manager for the Chicago office of Lehman Brothers. Mr. Wernecke was formerly with Ames, Emerich & Co., Inc. in their trading department.

W. Gordon Lyle, Jr. With Wood, Walker Co.

Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, announce that W. Gordon Lyle, Jr. has become associated with their firm.

Parrish Adds Tomlinson

PHILADELPHIA, Pa.—Parrish & Co., 1421 Chestnut Street, members of leading stock exchanges, announce that George W. Tomlinson has become associated with them as a registered representative. Mr. Tomlinson was formerly associated with Oakes & Co.

The Brewery Industry Advances

By JOHN L. WILSON*
Vice-President and Financial Officer,
Anheuser-Busch, Inc., St. Louis, Mo.

Mr. Wilson reviews growth of the brewery industry in the United States and predicts an increase in annual beer consumption from the present 86 million barrels a year to 100 million barrels by 1960. Stresses the shift to beer sales from draught beer to beer in bottles and cans, and points out the increasing use of products in beer production. Cites rising costs of new materials, which have been largely offset by economies in manufacture. Stresses large contribution of brewery industry to Federal taxes.

The story of the brewing industry is a fascinating one. It is the story of a beverage of moderation which, through the ages, has furnished pleasure and enjoyment as well as employment and profit.

The story of Anheuser-Busch itself is one of uncompromising quality for over 100 years. It is the story of a great personality—Budweiser. But the history of Anheuser-Busch, Inc. is more than the history of a beer. The refrigerated car, pasteurized bottles, new and revolutionary methods of brewing and manufacture, materials for war and defense, pharmaceuticals and research, run through the history of this great company. From a bankrupt and failing brewery 102 years ago to world leadership. These are the simplest terms in which to sum up the Anheuser-Busch story.

If the brewing industry as a whole should for any reason be destroyed—as it was during prohibition—so many facets of our national economy would be affected in so many different ways, it is almost impossible to predict what would result. For example, if prohibition had continued in effect in this country from 1934—quite aside from the moral issues—here is how the economy would have been affected through 1953: 45,269,854,000 less pounds of barley malt would have been consumed; 12,988,030,000 fewer pounds of corn would have been taken from our nation's growers. (Not one grain of corn is used in the manufacturing of Budweiser and Michelob); 4,503,194,000 lbs. less of rice would have been produced; 192,548,000 pounds less of wheat would have come out of the earth and turned into farmers' income; 558,717,000 less pounds of barley would have been grown; 400,952,000 less pounds of sorghum grains would have been taken off the market; 706,463,000 less pounds of hops, used in brewing beer, would never have come out of the ground and been converted to cash.

But agriculture isn't by any means the only industry which has benefited from the brewing industry. I do not have any precise figures on what effect we have had and are now having on the can, glass bottle, paper box, trucking and railroad business. However, in 1953, Anheuser-Busch, Inc., purchased $20,000,000 worth of cans. But taking our own company, Anheuser-Busch, as an example, we will produce in 1954 the equivalent of about 2,000,000,000 bottles and cans of Budweiser, or about 7,500,000 bottles and cans a day . . . and we are only 7.8% of the total industry output even though we are the world leaders.

Last year, Anheuser-Busch, Inc., sold 6,711,222 barrels of Budweiser and Michelob. The entire industry sold 86,027,931 barrels.

If you are interested in further breakdowns, the per capita consumption of beer last year was 16.6 gallons. So, if every man in this room didn't drink more than 16 gallons of beer last year, or approximately 170 bottles, preferably Budweiser, then you have not been holding up your end of the national average and ought to mend your ways!

More Taxes to the Government

For a minute, I'd like to take a look at the effect our industry has had on the government itself. Since prohibition, and through '53, almost $10 billion was collected by the national government from the brewing industry in excise taxes. State governments collected about $3 billion more and the amount paid out to local cities and municipalities cannot even be calculated because of the large numbers and the varieties of taxes imposed.

Last year, Anheuser-Busch paid out about $100 million in taxes.

Just a few more figures on the industry. In 1953, there were less than 300 breweries in the United States and 12,190 wholesalers of beer. The number of retail outlets was about 200,000.

The picture since 1934 is of some interest. Right after prohibition, there were some 756 breweries, or over 400 more than the present time. There are now about 5,000 less wholesalers than there were during the first year after repeal. Retail outlets did not change very much, there were about 30,000 less in '54. Sales of beer, however, has increased from about 40,000,000 barrels in '34 to 86,000,000 in '53.

There are about 80,000 persons engaged in the manufacture of beer. About 8,500 of these are members of the Anheuser-Busch family of brewery employees. In '52, the latest year for which I have precise statistics, the industry paid out $376,126,000 in wages and salaries; Anheuser-Busch's payout in the same category last year was about $50,000,000.

Our own wages and salaries are higher than the rest of the industry because of several factors, such as our wholesale operations, the manufacture of yeast and other products — as well as the higher cost of brewing Budweiser.

Few But Larger Breweries

The trend in the brewery business seems to be toward fewer and larger producers of beer and an even greater consumption.

I'd like to go into a little detail about some interesting facets of our company and our industry. Let me start with what goes into our beer as the statistics show it. As you take each cool sip of Budweiser or Michelob, here is what you are paying for:

Malt, rice and hops	9.7%
Bottles, cans, crowns, labels, cartons and cooperage depreciation	26.1
Salaries and wages	11.0
Manufacturing expenses	4.7
Product cost	51.5%
Federal beer taxes	22.7
Advertising and selling expenses	8.4
Administrative and general expenses and financial income and expense	4.1
Profit before income taxes	13.3
Brewery platform sales price	100%

Material cost and labor rates at Anheuser-Busch show interesting trends. 75% of the labor costs in the production of Budweiser go to brewers, bottlers and freight handlers. In 1933, employees engaged in brewing were paid 77¢ an hour; bottlers and freight handlers, 68¢ an hour. Today, brewers receive $2.50 an hour and bottlers and freight handlers $2.37 an hour.

Malt, rice and hops—the most important ingredients in Budweiser, as well as the cost of the bottle itself, have changed considerably. In 1940, we paid 81¢ a bushel for Haenschen barley. Today's price is $2.11. Imported hops cost us $1.07 a pound in 1940, and domestic hops 36¢ a pound. Today, imported hops cost 99¢ a pound and domestic hops 54¢ a pound. Rice cost us about 2.5¢ a pound in 1940, and in 1953, we paid approximately 7¢ a pound. The 12 oz. bottle that we used to pay $2.16 a gross for in 1940 now costs us $5.77 a gross.

Packaging of beer itself has undergone some changes since beer was legalized. In April of 1937, all breweries had one package of bottled beer. It was a 12 oz. returnable bottle, packed 24 to the case. Draught beer came in barrels, half-barrels, quarter-barrels and eighth-barrels.

Compared to today's packages—life was much simpler in the old days. Today, there are more than 15 different types of package beer, although draught beer has been pretty well standardized in the half-barrel. Here are examples of some of the packages we have to contend with:

12 oz. returnable bottle, cartoned two different ways.
12 oz. non-returnable bottles, the same.
7 oz. bottles packaged in 12, 24 and 36 bottle cases.
32 oz. returnable bottle.
32 oz. non-returnable bottle, packaged two different ways.
16 oz. returnable bottle.
12 oz. can, packaged four different ways; and a
16 oz. can.

If you aren't lost by this time, let me just add that with many states requiring tax-paid crowns and lids—and the complications of 3.2% and 5% beer, our own ten-package types, when stated in production line changes, including crowns, lids, labels, packages and alcoholic strengths, add up to about 235 different packages.

Price Trends

Let's take a brief look at some package price trends. The 24/12 ounce returnable bottle is the largest seller in the package line. We have to charge for—and our wholesalers must pay for—three component parts in every case of Budweiser. These are the Federal tax, the bottle deposit, and the liquid content. However, it is only the latter which determines the brewery profit.

When beer returned in 1933, all returnable bottles were sold in wooden cases. The price structure was

Federal tax paid to government at rate of $5 per barrel	$0.36
Case and bottle deposit refunded on return	1.00
Liquid, content, production costs, etc.	1.74
Total	$3.10

The liquid content, production costs, etc., was about half the total cost.

Gradually, the wooden case was replaced by a carton sufficiently strong to stand the return trip of the bottles to the brewery. We adopted the carton late in 1935. In July, 1936, we discontinued the deposit basis for returnable bottles and went to a sale and repurchase basis.

As a result of conversion to cartons for the returnable bottle, changes in Federal tax rates, improvements in packaging equipment, changes in costs of materials, packages, and labor rates, it could be expected that today's prices would be substantially higher than in 1933. But the change is only 19¢ per case, less than 1¢ a bottle. Here is how it is divided:

	Today's Price	Over 1933
Fed. tax paid to government at rate of $9 per barrel	$0.65	$0.29
Bottle deposit refundable	0.84	—0.16
Liquid content, production costs, etc.	1.80	0.06
	$3.29	$0.19

Considering the fact that there are 24 bottles to the case, as I have said, the actual change is less than 1¢ a bottle.

The nature of the beer business has changed radically since the first year after repeal.

In 1934, 75% was sold in draught beer and 25% in packages. This was pretty much the same as in pre-prohibition days. In 1953, package sales amounted to 76.6% of the industry's total output and draught beer 23.4%.

Thus a complete reversal has been experienced since 1934. While some of this change has been reflected in increased sales of beer in taverns in bottles—by far the greatest increase has come about as a result of the acceptance of beer in the home with the changing structure of home life.

It is remarkable that the brewing industry could so completely shift its type of distribution and package in so short a time and still maintain its total volume of sales in a market which in itself had changed so much in social structure.

Had beer not been so widely accepted in the home, this total consumption trend might very well have been at the trend and level reflected by draught beer sales.

The home consumption of beer has doubled since 1937 and is 46% over 1947, despite a population trend since 1947 which has been unfavorable to the consumption of beer. In 1952, 57% of the urban families consumed beer in the home against 43% in '37. The urban population grew from 19.9 million families in '37 to 31 million families in '52.

Basic changes in American population in the years ahead will have an important bearing on beer consumption.

Starting in 1958, the number of persons in the 18-year-and-over age entering the market will continue to increase and will do so for at least 10 years after 1960.

By 1960, the population of the United States in the 18-59-year-old group where the sale of beer is legal will have grown from the present 78,400,000 to 86,400,000—and assuming the per capita consumption of 1947 — the industry could reach 100 million barrels against its present 86.6 million barrels.

The increased sale of malt beverage for home consumption, however, points to the possibility of an even greater per capita sale.

*An address by Mr. Wilson before the New York Society of Security Analysts, New York City, Aug. 16, 1954.

Cantor, Fitzerald Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Arthur J. Godschalk has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Joins J. B. Hanauer

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John R. S. Chidester has joined the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

America Is in Greatest Era of Dynamic Growth

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

Mr. Bullis reviews the general business situation, and says U. S. is setting an example for the world of the great success of a free economy, operating with free labor. Expresses belief American is in its greatest era of dynamic growth, and business corporations will share in the progress.

The last year has been a remarkable year for the economy as a whole. Slightly over a year ago, and in the months which followed there were declines in industrial production as sales were made out of inventories and production rates were lowered. Total personal income before taxes also declined in 1953-54, and the total volume of retail sales declined slightly.

Harry A. Bullis

There were two forces which account mainly for this decline in 1953-54. The first was the considerable reduction in inventory accumulation and the second was the reduction in expenditures for national security.

In the second quarter of 1953, inventory was being accumulated at the rate of about $6 billion annually. By the second quarter of 1954, the rate of accumulation had been converted into a liquidation and inventories were being reduced at a rate of $5 billion annually. This is a swing of $11 billion and it accounts for a substantial portion of the decline in total national production.

Expenditures for national security have declined from a rate of $53.5 billion in the second quarter of 1953 to $45.5 billion in the second quarter of 1954. This is a reduction of $8 bilion in the annual rate of expenditure.

Considering this decline in the rate of outlays for national defense, it is not surprising that there has been a rise in unemployment. It is difficult to see how $8 billion could be cut from the rate of government expenditure for security purposes without casuing unemployment. In fact, if our economy had not been on a sound and stable basis the effect on employment might have been more severe.

Undoubtedly a large part of the reduction of inventories on the part of industry became necessary in order that stocks of materials would be compatible with the diminished rate of defense expenditures.

Anti-Recession Policies

As these developments took place in the national economy, the Administration in Washington adopted certain policies designed to counteract the recession.

The first policy was adopted over a year ago and consisted of easing the supply of funds in the money markets to encourage a conservatively expanded use of credit through our banks.

The second policy, that of tax reduction, was even more important in coping with the tendency toward recession. Tax reductions made at the beginning of 1954 amounted to $7.4 billion annually. Of this amount, about $4 billion resulted from the 11% reduction in personal income taxes and was of direct benefit to individuals and their families. Elimination of the excess profits tax accounted for about $2 billion and the reduction of excise taxes about $1.4 billion. To this we can now add about $1.5 billion as the result of the new tax reform bill. Thus total tax reductions are about $9 billion on an annual basis and they approximately balance the annual rate of reduction made in Federal expenditures.

This balancing of reduction in taxes with reduction in expenditures was possible because we adopted a pay-as-you-go basis for defense expenditures after the outbreak in Korea and increased taxes at that time. Now we can reduce taxes as fast as we reduce expenditures. For the current fiscal year the expected deficit is below the moderate deficit of the last fiscal year and substantially below that of the fiscal year ended June 30, 1953.

For some industries which have suffered from reduced output, these tax reductions have cushioned the decline in earnings. For other companies which have had the good fortune to maintain or increase their sales, there have been improved earnings. As a result it has been possible for industry to maintain expenditures for capital improvements at a rate approximating the highest in the history of the country.

All economic progress flows out of capital expenditures for improved plant and equipment, improved processes, and research. These improvements permit increasing wages and this has generally been the case even in this recession year.

For a number of months industries in the United States have been selling more goods than they have been making. This is another way of saying that total expenditures for personal consumption purposes are running well ahead of production schedules in many industries. It has been possible to reduce production while goods have flowed into sales channels with an accompanying reduction of inventories.

This has largely come about because the reduction in personal income taxes has helped to sustain purchasing power. The increase in unemployment and a shortening of hours in the work week caused some decline in total personal income. The reduction in taxes fully offset this decline. As a result, personal consumption expenditures for the second quarter of 1954 were nearly $1 billion higher than for the second quarter of 1953.

The continued high level of capital investment by industry and high consumer expenditures give promise that we are moving back to higher levels of output and employment.

War Risk Lessened

The commodity markets of the world, as well as the markets for foreign exchange and gold seem to reflect greater confidence that the risk of war has been lessened. This explains the diminishing expenditures for national security and military assistance abroad. This trend will probably continue in the months ahead and will permit further tax reduction. Thus we can look forward to even greater purchasing power in the hands of the people to spend for their family needs.

In the international field, our purchases of goods and services from the rest of the world have continued and have supplied enough dollars so that other countries have been able to pay for all their purchases of our exports and at the same time add to their gold and dollar reserves. This has come about because we have continued military aid abroad and have made sums available on that account. The liquidity position of other countries has been improved just as our own has been improved. It provides a basis for our allies moving ahead with greater economic vigor into higher levels of peace time production and improves their potential for national defense even after reduced aid from us.

In my opinion, the American people are to be congratulated for the discerning policies which have been adopted under President Eisenhower's leadership in both the domestic economic field and the international economic field. The United States is setting for the world an example of the great success of a free economy, operating with free labor. We are showing that a free enterprise system which gives maximum real rewards to the working groups has roots which are deep, tough and strong.

It is my belief that America is in its greatest era of dynamic growth, and business corporations will share in that progress. The developments in technology and the expansion of industry that will result from the use of atomic power, for which $14 billion has been appropriated and $9 billion spent by the Federal government, stagger the imagination. Truly we are only on the threshhold of a great advance.

*Remarks by Mr. Bullis at the Annual Meeting of the common stockholders of General Mills, Inc., Wilmington, Del., Aug. 24, 1954.

Columbia University Seminars on Small Business Problems

Columbia University in the City of New York, the Institute of Arts and Sciences (Division of Short Courses), announces a series of nine practical seminars on small business and the current problems of small business, with Theodore H. Silbert, President of Standard Factors Corporation as Series Co-ordinator and Moderator.

This course is designed specifically for businessmen who are anxious to expand their business, but are not too sure how to overcome the problems raised by financing, advertising, distribution, merchandising, production, or labor. Top-flight businessmen, professional accountants, and lawyers, who have been through the mill, will direct the seminars, and deal specifically with the problems raised by members of the class.

If the problem is finance, a bank President tells how to meet it; a merchandising problem, and the President of a large department store will help solve it; an internal problem, and one of the leading management engineers will be present to discuss it; an accounting or tax problem, and leading authorities on these will go into the matter; a labor problem, and a top labor relations expert plus a top labor leader will both give their sides of the story to help.

This is basically a "Practical Seminar", designed to give the smaller businessman the know-how so that he can grow wisely.

The course will be given on nine Tuesday evenings from 7:30 to 9:30 p.m., beginning Oct. 5 1954, at Harkness Theater, 521 W. 114th Street.

Newling New York Office

Newling & Co. is being formed with offices at 19 West 44th Street, New York City. The firm will be the New York affiliate of Newling & Co., Toronto, members of the Toronto Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

Did you ever hear of the St. Lawrence Seaway, or do you recall the long fight over it? Well, under the whiplash of the Eisenhower Administration, Congress finally passed a bill in early May providing for this government's "participation" in its construction in order that we would have a "voice" in the management and the levying of tolls.

Carlisle Bargeron

Although the project of a 27-foot channel from Montreal to Duluth, together with a hydroelectric plant in the International Rapids section of the St. Lawrence River had been advocated for more than 20 years, the Eisenhower Administration embraced a proposition by which the power plant would be erected by the State of New York and the Province of Ontario, and instead of the 27-foot channel extending to Duluth, it would extend only to Lake Erie ports, the main purpose being that it would serve to bring down iron ore from Labrador to the six companies that were interested.

Canada had announced that it had decided to go ahead with this work on its own, it involving only the additional work on Canada's part of building the necessary canals and locks in the International Rapids section.

The fact that Canada seemed determined to do this work on its own largely quieted the opposition in this country to the project, but a strong hard core remained. This hard core took the position that inasmuch as Canada was going to do the job, it was a good way for the United States to save money because both countries could use the waterway equally with no discrimination in tolls or otherwise against American shipping.

The Eisenhower Administration upheld the American seaway proponents, however, in the latter's contention that it was essential we have an investment in the project by means of having a "voice." To this end, the Congress passed and Eisenhower signed a bill by which this government would do the work in the International Rapids section and a corporation authorized to borrow $105,000,000 from the Treasury was created to carry it out.

The Canadian Government was never asked whether this "participation" on our part would be acceptable.

In the meantime, one of the Administration's claims of accomplishment is that "after 30 years" it passed the St. Lawrence Seaway.

Let's see what has happened. One of the pressures behind the legislation was that the work had to start this summer. Well, nearly four months after the passage of the legislation, Canadian and American officials got together a few days ago for their second meeting on the project in an effort to work out an agreement.

In an exchange of notes between the two governments, outlining the agreement that was reached, Canada still insists upon doing part of the work which Congress has directed the United States Government to do, and in the remaining work, Canada has reserved the right to build its own parallel waterway at any time it sees fit.

In other words, in the International section of the river where the United States Government is directed by Congress to build a 27-foot channel to obtain a "voice" in a river that is 1,200 miles long and 95% in Canadian territory, Canada insists upon doing part of this work and upon holding a whip hand over that part remaining for the U. S. to build, by virtue of its threat to build a duplicating channel.

Our government finds itself in a pretty pickle. We should have an explanation of some sort from those who were so insistent upon the passage of the seaway legislation. Perhaps, the Eisenhower Administration will quit crowing about the "accomplishment."

As matters stand, it would seem that American officials have got to go back to Congress and will their faces be sunburned. The corporation which Congress created and whose top officials have been named and duly confirmed is "authorized and directed" to do certain work. The Canadian Government says a portion of this work it will not be permitted to do.

In the meantime, in spite of all the alleged need for haste, no work is being done.

Van Allen to Be Dealer

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Erwin Van Allen is engaging in a securities business from offices at 183 Covina Avenue.

Southeastern Inv. Serv.

CHARLESTON, S. C. — Capt. George L. Hansen has formed Southeastern Investment Services at 17 Longitude Lane to engage in a securities business.

Forms Southwest Asso.

GALLUP, N. Mex. — Roy I. Brown has formed Southwest Associates with offices at 107 South First Street to engage in a securities business.

Forms Van Orsdel Co.

SEATTLE, Wash.—Ella L. Van Orsdel is engaging in a securities business from offices in the Fourth Avenue Building under the firm name of Van Orsdel Company.

Scheffmeyer to Admit

Henry A. Sucharzewski will acquire a membership in the New York Stock Exchange and on Sept. 2 will be admitted to partnership in Scheffmeyer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

W. I. Buxbaum Opens

KEW GARDENS, N. Y.—Walter I. Buxbaum is engaging in a securities business from offices at 82-40 Austin Street.

Robot Land

By MILTON PINKUS

Market Analyst, Troster, Singer & Co., New York City

Over-the-counter market analyst calls attention to investment attractiveness of automation stocks; declaring present state of industry amounts to a second revolution of the industrial revolution. Sketches specific favorite issues.

Now, more than ever, machines are taking a far greater load off man's back as well as his mind—to a point perhaps, where a day's work may soon be little more than the push of a button here or the turn of a knob there. This could conceivably start a team of machines making things faster, better, cheaper—practically no hands, except for probably one man at a control board who figures to easily out-produce 50 or more with present day equipment. For this is the newly-named science of automation — the production line at its prolific best, which now is figuratively putting thinking caps on new and ingenious machines and possibly introducing us to the robot factory of tomorrow.

Milton Pinkus

Maybe not all robot, but close. Since in it we will find many arrays of Rube Goldberg-like machines side by side with and policed by others which can see with photoelectric cells, hear with microphones, taste with gas detectors and remember, compare and compute with vacuum tubes. Engineers are, of course, better qualified for a long-haired discussion of exactly how these work. But as we understand it, the heart and soul of automation is the flow or transfer of a raw product uninterruptedly from one machine to another by "transfer machines" until finished, while along the way, electronic sentinels correct and compensate errors (called feedback control) and tell Mr. Man at a panel board what is going on. It could all add up to the fact that:

(1) where 50 or more men were working before, only one would be needed.

(2) where a job took hours before, one hour might do.

(3) where X dollars were ticketed for an operation before, far less would be required.

(4) and of course, like a built-in bumper against hard times, where high labor costs cut sales and profits, then automation would be the remedy.

Nor need labor be alarmed at these goings-on, as all agree—and history confirms—that the makings of an even higher standard of living, "far, far more leisure time, more jobs, more income" are part and parcel of this revolution of the Industrial Revolution. It seems that as machines more and more relieve man's burdens, his playtime expenditures, now $30 billions per year, jump; and in the years to come this, along with an expected population increase, will call for an even greater production of old products as well as new.

Competition being what it is, surely no company dare risk being caught with its automation down. And the notion that automation is only the darling of big business, whose products lend themselves to: (1) volume production, (2) stability of type of product, (3) and high labor handling cost, is due for a change. For our experts tell us that future methods will adapt automation to small business (however, not too small) and to varying types of products by merely "changing the sets on gauges." This too, should take the automation builder out of the "one-shot," non-repeat type of business and give him far more variety and stability.

It seems like a page out of science fiction, but one automated giant recently assembled for one of the big motor companies is said to be as long as a football field, is operated by a single man at a control board, performs 540 separate operations and turns out engine blocks at the rate of 100 per hour (no hands), a job which heretofore required up to 75 men. Likewise, General Electric Company's plant in Louisville has a three-block-long operation that turns out laundry units. General Motors has announced plant and equipment expansion plans amounting to $1½ billion; Ford is thinking of $1 billion; Chrysler, Packard and others, in proportion. These are just some shining examples; other candidates for automation are now or will be:

Bakeries, breweries, rayon mfrs., farm implement cos., air conditioning cos., petroleum refining and processing plants, chemical cos., electric appliance cos., radio and TV mfrs., railroad suppliers and many, many others.

Without doubt we shall see a vast and continuing demand for cybernetic (thinking) machines for both factory and office. And in all likelihood, the pace of this race will quicken noticeably as one by one, companies in assorted fields succeed by automation in underselling backward competitors. By and large the smaller machine companies have been chosen, because of set-up, know-how and temperament, with making and fiddling with today's automated machinery. But we dare say the future for all such companies—machine tool and electronic manufacturers—is as bright as any that have cropped up in recent years. Some of these stocks have already moved considerably marketwise, others just a little, but still all may be just beginning.

In the accompanying table are some very brief sketches of a few such favorites. We urge the reader to make a more detailed analysis, since he should find the effort profitable.

The Cross Company of Detroit, Mich., established 1898 (selling at five times estimated earnings) one of the rare few, gifted with know-how and imagination, to be entrusted with assembling one of the big motor company's giant engine-block maker. It is one of the pioneers in automation and the developer of the labor-saver called "Transfermatic," holds patents on a master control panel unit and is a daring builder of many custom built time and labor-saving machines. In its letter of June 25, company states: (1) all long-term debt has been retired and all convertible preferred stock redeemed or converted into common; (2) shipments are now averaging $800,000 per month (maximum output at present) with "every likelihood of full capacity operations throughout fiscal 1955"; (3) "under proper conditions, construction of a new plant twice . . . capacity" is contemplated to be financed out of earnings. It is not over-optimistic, we think, to anticipate net earnings of close to $4 per share in fiscal 1954 and, with new plant of double capacity operating in the future, possibly, $8 per share in those years.

Foote-Burt Co. of Cleveland, Ohio, incorporated 1927, with an enviable record of having paid some dividend each year since 1929, is the largest of the big three in automation, the other two being Cross Company and Snyder Tool & Engineering of Detroit. Other competitors heard of frequently are Ex-Cell-O Corp., National Automatic Tool, Greenlee Bros. Co., W. F. and John Barnes & Co., Ingersoll Milling Machine Co., and Sunstrand Machine Tool Co. Company is operating at full capacity with a comfortable backlog into 1955. With its new plant in operation, increasing plant capacity 25%, and its many automatic machines in urgent demand, there is strong prospect of 1954 earnings reaching $14 vs. $6.47 in 1953. No bonds or preferred stock are outstanding, only 94,241 shares of common.

Giddings & Lewis Machine Tool Co. of Fond du Lac, Wis., an old company whose business in special machinery in 1953 was twice 1952 and whose 1954 backlog is twice 1953. "This backlog gives us a year of full capacity and extends work into 1955," says President.

Kearney & Trecker Corp of Milwaukee, Wis., long-time builders of precision and production machine tools, has a new plant for special one-purpose equipment adapted to individual needs of manufacturers.

Minneapolis-Honeywell Regulator of Minneapolis, whose long standing in the field of automatic controls possibly rates it as high as any in the industry and well aware of the future of automation.

National Cash Register of Dayton, Ohio, along with International Business Machines and others, instrumental in, and bound to benefit from, data processing, an integral part of automation.

Radio Corp. of America, in New York, possibly the outstanding company in electronics, the "brains" so vitally needed in automation.

Reeves-Ely Laboratories Inc., of New York (30c pfd., conv. 1-for-1 into common), controlled by Claude Neon, Inc., is well-known in the field of electronic computers, precision servomechanisms, industrial electronic devices and electrical and mechanical components, all ingredients of automation.

Sprague Electric Company of North Adams, Mass., is the largest manufacturer of resistors and capacitors in the country as well as a highly regarded pioneer in the field of industrial electronics.

Ultrasonic Corp. of Cambridge, Mass., a versatile company with many "electronic engineering skills in advanced control and computer techniques adapted to automatic control of chemical process equipment and automatic machine tool operation . . . looking ultimately toward the **"Automatic Factory."**

Warner & Swasey Co. of Cleveland, Ohio, is an old-timer (1880) in the field of scientific equipment requiring extreme accuracy and a developer of machines incorporating "the principle of automatic operation and . . . opportunities for substantial reductions in machining costs."

			—Latest Fiscal Year—				
	Where Traded	No. of Shares	Sales (000)	Net Inc. (000)	Net per Share	Year's Div.	Curr. Price
The Cross Company	OTC	310,001	$7,147	$531	$1.99	None	19
Foote-Burt	OTC	94,241	N.S.	*549	*5.82	1.50	61
Giddings & Lewis	OTC	300,000	37,608	1,645	5.48	2.00	26
Kearney & Trecker	OTC	792,346	*26,000	*1,450	1.83	1.00	15
Minneapolis-Honeywell	NYSE	3,119,353	214,019	10,330	3.31	2.25	94
National Cash Reg.	NYSE	2,166,787	260,913	11,088	5.12	3.00	86
Radio Corporation	NYSE	14,031,016	630,292	35,022	2.21	1.20	33
Reeves-Ely Lab.	OTC	†1,064,500	39,630	1,823	1.71	0.30	13
Sprague Electric	OTC	769,890	46,779	2,888	3.76	1.60	77
Ultrasonic Corp.	OTC	533,332	5,168	269	0.91	None	12
Warner & Swasey	OTC	807,275	57,391	3,726	4.62	1.35	19

*Six months. †Consisting of 294,135 shares of convertible preferred and 770,365 shares of common. N.S. Not Stated.

C. M. Strickland With Eldredge, Tallman Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles M. Strickland has become associated with Eldredge, Tallman & Co., 231 South La Salle Street. Mr. Strickland, a member of the Chicago Board of Trade, was formerly with American Securities Corporation. Prior thereto he represented the Commercial and Financial Chronicle in the Midwest.

J. I. Coleman Opens

SAN DIEGO, Calif. — Jack I. Coleman is conducting an investment business from offices at 2961 Fifth Avenue.

Form Div. Sec. Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. William G. McLeod has formed Dividend Security Company with offices at 220 Montgomery Street to engage in a securities business.

Forms Edmund Secs.

Edmund G. Fitall and James B. Duffy have formed Edmund Securities Co. with offices at 50 Broad Street, New York City to engage in an investment business.

Keller Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Allan Resnick and Morris Richker have become connected with Keller & Co., 53 State Street.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George C. McDonald has been added to the staff of Dean Witter & Co., 632 South Spring Street.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Marshall M. Sumida has joined the staff of Mutual Fund Associates, 444 Montgomery Street.

Distribution—the Problem of the Future

By W. W. WACHTEL*
President, Calvert Distillers Corporation

Stressing role of retailer in the economy, Mr. Wachtel attacks regulations and tax imposition that hamper retail distribution. Traces program for better retailing, with emphasis on the nation's 192,000 wine and liquor retailers. Says there are too many tax levies on business functions, and this situation lies not alone in the amount of the taxation, but in its complexities. Gives causes of retail failures, and lists as remedies: (1) more reasonable taxes; (2) more liberal and uniform regulations; (3) diversification of production; (4) fair trade in interest of both consumer and merchandiser; and (5) constructive aid by suppliers to retailers.

The economy of the United States of America is poised at a crucial point as this is being written. Our geographical frontiers have all been reached, but our social and economic frontiers are almost unlimited as they lie before us. Entering the atomic age, with all that it can mean to national and world well-being, the scope of our possibilities for dynamic expansion is truly breathtaking.


W. W. Wachtel

What are our immediate goals?

A year or so ago, the McGraw-Hill Publishing Company consulted various economists to arrive at projections or forecasts for our economy for 1960. The consensus opinion was that by 1960, our employment would be 10% higher than it was at the end of 1953, our gross national product would be 12% greater, our national income would be 14% higher, and our people would have 12% more disposable income available to them.

This is a measure of our possible prosperity by 1960, or six years from now, if our economy continues to prosper and if retailing prospers and grows with it.

Mind you, these are realizable goals.

The purpose of this report is to demonstrate factually that the retailers of the nation, the indispensable entrepreneurs to whom we usually apply the term "small business," are the key men without whose efforts our economic goals cannot be realized, and who, at this very moment, are subject to a number of unnecessarily hampering restrictions which can and should be removed if the words "national future" are to mean everything we envision.

The problem of the future is one of distribution, rather than production. The role of the retailer in effective distribution is indispensable.

The Retailer and the National Economy

Retailers account for 15.6% of total employment exclusive of farms and for 29.1% of total business sales. One-third of all non-farm business proprietors are retailers, and the activities of these merchants create one-eight of total national income.

As a further measure of the importance of retailing to our economy, the nation's retailers pay one-eighth of all wages and salaries disbursed by industry and account for 18% of total income of all enterprises.

One-ninth of all tax monies collected by government from industry generally is paid by retailers.

*An address by Mr. Wachtel at the Annual Sales Meeting of Calvert Distillers Corporation on board the U. S. S. Bermuda, Aug. 23, 1954.

These are just some of the indications of the essentiality of the retailer in our present national economy.

What of Initiative?

It is a sad fact that despite the retailer's present essential role and his even greater significance to the **future, retailing accounts for 40% of all discontinued businesses today.**

WHY?

Bear in mind that only two of every 38 businesses are "failures." Why do the other 36 business men decide to throw in the sponge . . . even though they are not insolvent? Obviously, they must feel that, on the basis of possible returns, it just not worthwhile to continue to risk savings and stay in business.

What are some of the factual circumstances leading them to such negative decisions?

Excessive taxation and the **forms** taken by such taxation are the chief culprits driving thousands of independent merchants out of business annually.

Granting that taxation must be high because of the world-wide responsibilities and obligations of the United States, it still cannot be denied that there are too many levies on business functions. For example, a small retailer in any industry must pay Federal income tax, social security imposts, unemployment levies, in many instances state income taxes and local income taxes, in many other cases local sales taxes, occupancy fees, local property imposts, gross business or ad valorem taxes and, if the retailer's business is incorporated, many of these taxes in double form. But, these are not **all the imposts** he must pay. There are a host of others—school-support levies, licensing and inspection fees, etc.

The unsoundness of this situation lies not alone in the amount of taxation, but in:

(1) The artificial cost of computing tax payments accurately—many "small business men" must finance the services of full-time bookkeepers.

(2) A good amount of the retailer's business time that is also "taken" from him—time to which should and could be devoted to his essential economic function of moving needed goods to the consumer. The initiative of 2,000,000 small business men is thus effectively hampered.

Waste is Emormous

The cost of this waste is enormous, especially when it is recognized that **no matter how taxes are imposed, directly or indirectly, they wind up on the retailer's shelves.**

His inventory is inflated. His costs of carrying inventory rise sharply. All of this must eventually be paid by the nation as a whole and stands in the way of realization of the economic goals we have listed.

Improperly planned and uncorrelated legislative restrictions and controls add to the general problem. There is no discernible intelligent pattern—state by state or community by community — applying to such requirements as those having to do with permissible hours of operation, permissible operation during holidays, licensing regulations and fees, fire-ordinance requirements, zoning restrictions and even such matters as control of traffic.

Is it any wonder that retail failures this year increased 41% over 1953 will probably hit the highest level since 1942 and may even top that total?

If our economic goals for this year, next year and the future, are to be realized, something must be done to remedy the situation. It can be done!

Seeing that it is done is the responsibility of both government and of suppliers of goods and services.

As to the government, it is certainly not too much to ask that at the Federal, state and local levels (possibly through agreement among such levels of government) a more intelligent and less wasteful pattern be adopted for application of taxation and regulatory policies. This would free the retailer to perform his basic economic functions.

As to suppliers of goods and services, they cannot only help to bring these inequities and wastes to the attention of government generally, but in their own policies they can seek to ease the plight of the retailer and assist in building a more solid and prosperous future for the retailer, keeping in mind his key role in development of our future national economy.

A Prime Case in Point

As a leading manufacturer, keenly interested in future development of our national economy, Calvert Distillers Company is seriously concerned over the problems of retailers generally, as these problems have been briefly summed up earlier.

As a traditional supplier of fine whiskies, Calvert is understandably directly concerned with the problems of retailers in its own industry.

A careful study reveals that the problems of the wine and liquor retailers today are much more serious and threatening than those of retailers generally. Let us consider some of these problems.

Taxes, Regulations Wrecking Retail Business

There are today 192,000 active retail proprietorships in the wine and liquor industry. With their employees, their wives and dependents, these small business men provide the economic sinews for 1,300,000 people. They are thus an extremely important segment of our total national economy.

That their plight is a serivous one is indicated by the fact that capital is leaving rather than entering the retail branch of our industry. By a combination of circumstances, their initiative, as business men, through no fault of their own, has been almost completely nullified.

Here are some of the components of the grave situation they face. Federal taxes on distilled spirits have gone up 162.5% since Jan. 1, 1942, to an all-time high.

Some 52 different taxes must be financed by the retailer through his liquor inventory investment. Thus, the wine and liquor retailer faces not only the serious restrictions common to retailing generally, but an almost insuperable added burden. One of the effects of this has been an inevitable diversion of consumer purchasing from legal spirits to illegal spirits, with a return of prohibition-like conditions in many sections of our country.

To the retailer this has meant that an appreciable amount of his sales potential has been stolen from him, **by unwitting government sanction,** since his underworld competitor, paying no taxes, can undersell him and yet realize a tremendous profit on his unlawful investment.

Since 1942, proven moonshining, under such excessive taxation, has increased by at least 76.5%. These figures represent the amount of bootleg liquor produced by seized stills, but do **not** include the amount of bootleg liquor produced by stills **not** seized by authorities. Since the government admits that only one of every five illicit stills are seized, this is an understatement.

The net result of exorbitant taxation and illegal competition is that legal spirits sales have fallen far short of the general rise in our econmy. They have fallen short by a truly amazing amount in terms of steady growth in national population and disposable consumer income.

Picture the plight of the returning GI who, entering civilian life in 1946 after his service to his country, invested his savings, those of his family and whatever he could borrow on sound security, in a little package store or bar. True, it was just a neighborhood outlet, nothing too costly, but it represented a minimum investment of $25.000 to $35,000.

Our GI had high hopes for the future. The Federal tax on distilled spirits stood at $9, but he was assuerd that this was a wartime emergency rate and that the excise would soon return to $6. Then, normal demand could be serviced, then he could make a reasonable profit through good service and management.

How could he know that costs would rise constantly, that restrictions on merchandising would hamstring him as a business man, that the tax would rise to $10.50 and stay there instead of going back to $6.

He's out of business now. He represents hundreds, even thousands who ran into similar difficulties. Meantime, again because of the high tax his illegal competitor, the new bootlegger, waxed fat and rich.

Is this private enterprise? Is this fair treatment?

Class Legislation Encouraged

One of the greatest dangers of the entire distilled-spirit tax setup, in its present exorbitant form, incidentally, is that it represents and encourages the type of class legislation that Americans abhor instinctively.

Distilled spirits, through taxation, have been priced out of the reach of possibly one-third of our productive workers. The man in the lower-or-lower-middle-income groups who enjoys a highball now and then, who is in every sense of the word a moderate drinker, is told in effect that spirits are too much of a "luxury" for him. Was this the intent of the Repeal Amendment?

But even this is not the whole story of how the wine and liquor retailer's initiative has been drained away by the end results of governmental fiat. He is also greatly hamstrung by regulations and artificial restrictions of an unnecessary, uncorrelated nature . . . to an extent that he is further hampered and penalized in every phase of business adminsitrations. These regulations are chiefly of two kinds.

(1) Those limiting use of point-of-purchase and other in-store promotional devices. That there is a basic need for some qualifying regulations is granted, but there is a complete lack of logic, state to state, in the application of these rules. In many states, restrictions are unnecessarily harsh in this day and age.

(2) Those preventing the retailer from selling items rightfully belonging to his form of business. Shouldn't it be natural for consumers purchasing liquor in a licensed store to be able to buy in the same store the many other items that he will need for home entertainment. Why is it necessary in some states for the consumer to have to go to a second store to buy ginger ale, club soda, appetizers, glassware, and other similar items? The wide variations in state-by-state requirements as to sale of other items than alcoholic beverages are patently unnecessary.

Constantly Rising Costs Complicate His Business Existence

Just as the wine and liquor retailer faces an accentuated legislative problem, he must cope with a more serious cost problem than that of retailers generally. The accompanying statistical presentation shows general increases in costs of doing business in many retail lines, comparing the 1942 experience with that of today.

This rise in cost of retailers generally should be reason for national cocnern.

But, no other retailer is confronted by the rising-cost-set-up of the wine and liquor retailer.

His inventory costs have gone up appreciably.

He needs more capital to carry such inventories. To secure such capital, he must pay a current rate of at least 4%. His insurance costs are high—approximately $10 per $1,000 for fire coverage, and $40.50 per thousand against burglary. The great bulk of all these costs are pre-payment on **taxes** which the retailer has not yet **collected** for the government.

The abnormal increase in costs of wine and liquor retailers can be assayed only in the light of the fact that distilled-spirits sales are virtually **fixed,** on a gallonage basis, despite rising population and disposable income. Other retailers can operate within a 1954 economy; the wine and liquor retailer must do business within a 1942 economy.

The liquor retailer's inventory costs are so prohibitive that many retailers have been forced to buy on a hand-to-mouth basis. When New York State wholesalers shut down during the second half of July, 1954 for vacation purposes, many retailers were indignant because they apparently had been unable to accumulate two weeks of essential fast-moving goods to carry them through the wholesaler shutdown.

Uneven Pattern of Licensing a Contributory Factor

Licensing policies have contributed to the wine and liquor retailer's unsound present position and complicate his other problems.

Some 34,000 "new" individual retailers have come into the business since 1942. At the same time, because of excessive taxation, total consumption has risen only 4,000,000 gallons. This represents 118 gallons of spirits annually for each "new" retailer, or 44 cases a year. Actually, of course, the "new" retailers have shared a total gallonage with those already in business. The result is that while each private retailer had his average sales potential of 1,226 gallons of distilled spirits annually in 1942, today each retailer has a potential of only 1,020 gallons. In otherwords, the potential unit volume per private retailer has declined by 17% since 1942.

There is also an uneven pattern of licensing, state by state. In some commonwealths, license limitation on the basis of "public convenience and necessity" is so severe as to encourage some consumers to patronize the more conveniently-reached bootlegger. In other words, there is virtually no license limitation and, hence, more outlets than are necessary to take care of public needs.

What Happens to Initiative?

As we have seen factually, taxes and regulations (which severely hamper him in carrying out his

function), rising costs and an uneven pattern of licensing hamstring the wine and liquor retailer . . . truly the "forgotten man" of the last decade.

The most damaging effect (remembering that the 1,300,000 people he represents are a very important segment of our expanding national economy) is that the wine and liquor retailer's initiative is destroyed. He is forced to follow an inexorable chain of circumstances.

(1) He sees his business being taxed and regulated out of existence.

(2) He is prevented by such taxation and unwise regulation from following the normal, sound business procedures open to retailers in other industries.

(3) In a vicious circle, he is induced to resort to desperate measures.

Unsound but attractively presented "deals" (illusory discounts) become tempting to him because they are purported to offer an immediate, needed profit. Actually, such "deals" on slow selling merchandise, a veritable "throw back" to merchandising practices of the 19th century jeopardize his future.

Now, let us examine what are the causes of business failures, and how these various factors help drive liquor retailers out of business. Before me is a chart prepared by Dun & Bradstreet showing the major "apparent causes of failures of retailers." The major one, "Inadequate Sales," accounts for 50.5% of retail business failures. Yet, we have just seen how high taxes and severe restrictions and regulations have served to reduce the retailer's business.

The second major cause of retail failures is "Competitive weakness." One chief source of defense for the small retailers has been Fair Trade, which protects the little fellow from the big price-cutter. Calvert has always been in favor of Fair Trade and has been one of its chief proponents since its inception.

The third major cause of retail failures is "Excessive fixed assets." This is a matter for the pure judgment of the liquor retailer to help guide him in his policies. Since his inventory carries so many heavy taxes, it is likely that few liquor retailers are able to invest much money in fixed assets, in view of heavy "liquid" assets.

The fourth major cause of retail failures is "Inventory difficulties." Here, we at Calvert know some of the reasons for retailer inventory difficulties in the liquor field. The chief reason for inventory difficulties over recent years has been the retailer's weakness in "falling for" deals and discounts to the extent that he buys too much of one item at the expense of faster-moving items. The failure record shows that re-retailers should be **much more** careful in considering "deals," because one-ninth of all retail failures are due to inventory difficulties, and nothing will help throw a retailers' inventory out of balance faster than slow-moving merchandise.

Another chart demonstrates factually the dominance of popular national name and demand brands as a matter of consumer **preference.** If 78% of total liquor sales are represented by 68 national brands, then why should he fool around with "cats" and "dogs" because of deals? Studies in many fields prove that consumers prefer nationally advertised brands over unknown, but cheaper, merchandise.

The retailer's future lies in brand merchandising. When he is induced to accept "deals" on unpopular merchandise for which there is no steady demand, he must think in terms of the next 30 days, rather than the next 30 years. **Yet, retailing should be an enduring and honored career.**

Once embarked on an unwise policy of buying, the retailer finds it difficult to right himself. Irregular buying (especially of the "deal" category) complicates his inventory problem, plunges him deeper into unsound business practices. He must risk his business time and again because excessive taxation and over-regulation threaten to drive him to the wall. Remember, that he is a victim of circumstances, that he has not chosen this course voluntarily.

The results of this unhealthy chain of unavoidable circumstances can be traced statistically.

Available statistics show how badly hit have been wine and liquor retailers in comparison with retailers generally. Despite the economic importance of all retailers, retail failures account for one-half of all business failures today. **Of these, one-third are in the wine and liquor business!**

And, the trend of wine and liquor retail failures is going up!

The Remedy

Five steps can and must be taken to restore the wine and liquor retailer's initiative, to reinforce his faith in retailing as a future, as an integral part of the nation's expanding economy.

(1) More reasonable taxes must be attained in behalf of the small business man of the alcoholic-beverage industry. Only through this reform can any amount of productive initiative be restored to the retail branch of this industry.

(2) More liberal and more uniform regulations should be adopted, in such a way that the tenets of control are preserved while retailers are enabled to build their futures as necessary business men.

(3) Reasonable diversification of product lines should be adopted by states which, perhaps unwittingly, now fail to allow such diversification.

(4) Fair trade, the only bulwark against a disorderly market, working in behalf of consumer and retailer alike, must be strengthened. A recent Dun & Bradstreet study showed that retailers in Fair Trade markets had much greater business stability than retailers did in price-cut markets. Only through strong, vital fair trade can the retailer be enabled to engage in modern brand merchandising in response **to consumer preferences.** Only through effective fair trade can he be protected from efforts to load him up through unwise deals on unwanted merchandise.

(5) The retailer must be encouraged, through more favorable circumstances — the ground rules of his business—and through constructive assistance and suggestions from suppliers to adhere to sound business principles of merchandising and management . . . the principles, applicable to all retailing, which make a proud and prosperous career of retailing.

THE MARKET . . . AND YOU

By WALLACE STREETE

The power that enabled industrial issues particularly to ride roughshod over all obstacles for nearly a year ran out again at the 350 level this week and proved mostly that this barrier is the first important one encountered since the list broke out into historic ground only traversed once before in history. The market had nudged into the area as the current month got under way, but this week it was still trying to master the level after twice being turned back from a decisive penetration.

It probably was more happenstance than pure science that had led a fair number of market analysts to come up with the round-number prediction that 350 might be a congestion area. But whatever the reason — and outcome — the long period of consolidation around that area worked out quite neatly.

Despite the double defeat, majority sentiment was little disturbed by the second turndown. For one, the industrials did succeed in working their way a notch deeper into the resistance level, the closing high of the second attempt a fraction above that of the first assault. For another, the initial selling after the first defeat carried the list down far sharper than was the case this week. The rails weren't able to do a comparable job, but they have been so laggard throughout that there was little surprise to it. Their nemesis is the 120 level.

* * *

Unexplained Rallies and Declines

As a result of the general hesitation, a rather long list of issues went through some strange sinking spells as well as some periods of equally unexplained popularity. Included in these were the one-day four-point swings by du Pont on the dour side and Texas Gulf Producing on the strength side. The one-sale 6% trim in high-priced Superior Oil of California during a heavy period, which came to nearly four dozen points, might also be included although wide swings are characteristic in this issue.

In the case of Montgomery Ward the reasons were more specific. The weekend revelation that a group is acquiring sizable blocks of the stock, presumably to unseat the one-man management in control for two decades, resulted in a one-session improvement of a peak half dozen points, roughly comparable to the chore of the entire week before.

From a statistical viewpoint, Montgomery has lagged business-wise as well as market-wise both behind, its competitors and market conditions generally. In crossing 80, for instance, the stock succeeded in posting a new high for a handful of years, but it is still well behind the 104 at which the issue sold in 1946 and the all-time high of nearly 157 recorded in 1929. Sears Roebuck, by comparison, long since eclipsed its all-time peak and has consistently pushed its high mark up the ladder for the last half dozen years. Sears was split 4-for-1 in 1945 while Montgomery had its last major capital change in 1928 although stockholders several times were offered valuable rights, the last time in 1946.

* * *

Merger Gyrations

Some of the pending mergers also produced some market gyrations, not the least being those of Bethlehem Steel and Youngstown Sheet which swayed both with the market and with conflicting rumors over whether a deal would be consummated, and at what price.

Among the individual issues that did some wide swinging for reasons not too apparent was Smith-Douglass Co. which usually leads a rather placid life. This issue has one of the shorter histories around since it was recapitalized as recently as 1952 including a 60-for-1 split prior to joining listed trading. On one temporary wave of popularity it was able to join the year's new highs at a price roughly double its going value in its initial trading.

Surprisingly, some of the utilities decided to abandon their calm ways and join in the gyrations. The appearance of Pacific Telephone rights after the week was underway brought some divergent opinions over the various values and kept the arbitrageurs active. The rights first appeared at 4⅜ but instead of holding in a range of a sixteenth of a point or so they climbed to nearly \$5 in a matter of minutes. The stock, consequently, forged ahead out of character by a leap of a handful of points. The utility average, moreover, abandoned its quiet and persistent progress for some relatively minor declines which, however, were the deepest inroads made into it on the minus side so far this month. It hasn't been since June that the barometer put a couple of declining sessions back to back.

* * *

A Trader's Delight

Aircrafts continued as a nimble trader's delight with occasional periods of profit-taking followed by renewed demand, and with leadership shifting through the division as one leader after the other paused to rest. General Dynamics, a split hope, was able to forge ahead with a bit more persistence than the group generally. Bendix, also the subject of hopes on either the dividend or a stock split, also turned in a better-than-average performance.

For the oils it was a case of back in the same old rut of uncertainty, although for most it was within far easier reach of the year's best prices than the poorest. Royal Dutch, a comparative newcomer to the trading, has yet to live up to all the high hopes of it becoming a bellwether and the new Studebaker-Packard Corp. issue, listed for a week, has been anything but a trading pet and is far outclassed in popularity by the old Packard issue or, for that matter, even by the old Studebaker stock.

Chrysler continues to follow an uncertain path, the large short interest in it keeping traders wary. Even the start of more optimistic reports on Chrysler, however, seems unable to force any widespread covering of the short commitments. The net effect, overall, has been to keep the issue well above the low it posted earlier in the year before a halved dividend was made definite. The daily swings of General Motors are largely meaningless excepting that the issue has managed superior stability both when measured against the auto division generally and the complete market.

* * *

Troubled Food Stocks

Some of the large food companies have been having trouble seemingly all their own. General Foods has been a fairly constant member of the casualty group day after day, and General Mills featured in a secondary distribution that wasn't overly large but had to be withdrawn without being completed.

Steels were far from impressive, largely because of some industry predictions that the Fall pickup would be somewhat disappointing. Operations continue below two-thirds of capacity which also helps to keep a damper on unbridled enthusiasm for the group generally.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

NSTA Notes

BOND CLUB OF DENVER—IBA FROLIC

One of the most successful events in the 20-year history of the annual frolic of the Bond Club of Denver and the Rocky Mountain group of the Investment Bankers Association was held Aug. 12 and 13.

The Arthur H. Bosworth memorial trophy for low net score in golf was won by Robert Boucher of United American Life, with a net 64. He also won low gross with 70 and R. L. Mitton was second with 71.

Neil King of First National Bank won on the putting contest and Bernard Kennedy of Bosworth, Sullivan & Co. was second. Mr. Kennedy won the horseshoes contest and Richard Jaquith of Carroll, Kirchner & Jaquith was second. The over-the-counter team captained by Lloyd Hammer of Coughlin & Co. won the baseball competition. Al Conklin of Bosworth, Sullivan and Phillip Clark of Amos C. Sudler & Co. won the tennis competition and Donald Campbell of J. K. Mullen & Co. and Lawrence Inman of J. A. Hogle & Co. were second.

E. Jansen Hunt of White, Weld & Co., New York, won the prize awarded to the guest traveling the greatest distance to the party.

Other out-of-towners attending included the following:

New York—Robert Whitacre of J. G. White & Co.

Cincinnati—John M. Heimerdinger of Walter, Woody & Heimerdinger.

Chicago—Paul Fairchild and Arthur Kirtly of First Boston Corp.; Robert Brinker and J. David Everard of John Nuveen & Co.; L. F. Groene of A. C. Allyn & Co.; E. Ray Allen of E. Ray Allen & Co.; Eddie K. Hayes of Central Republic Co.; George Wendt of First National Bank; Morris Mather of Blyth & Co.; Harry J. Wilson of Harry J. Wilson & Co.; Jack Parker and Ash Keeler of Lord Abbett & Co.; Fred I. Rahn of Illinois Co.; Strabo Claggett Jr. and Larry Morgan of Incorporated Investors.

Omaha—Warren D. Chiles of Chiles, Schutz & Co.

Kansas City—R. S. Seifert of Stern Brothers; Joseph M. Luby of Barrett, Fitch, North & Co.; Victor H. Zahner of Zahner & Co.; Mark A. Lucas Jr. of Lucas, Eisen & Waeckerle.

Wichita—Duane Smith and Don Small of Small-Milburn Co.

Topeka—Harold P. Lowe of Estes & Co.

Dallas—Donald G. Coke of First Southwest Corp.; Tim Dunn of Southwest Securities Co.; Harold Pearson of Mountain States Securities.

Albuquerque—Arthur P. Quinn of Quinn & Co.

Salt Lake City—A. P. Kibbe and L. Dick Ure of A. P. Kibbe & Co.

Phoenix—Benton M. Lee of Dean Witter & Co.

Tucson—Henry Dahlberg of Henry Dahlberg & Co.

Cheyenne—Robert DuBois of Stockgrowers National Bank.

San Francisco—John Mackenzie of Commonwealth Investment Co.

ADDITIONAL REGISTRATIONS NSTA CONVENTION, ATLANTIC CITY, Including August 24, 1954:

Name	Firm	City
*Adams, Hon. Clarence H.	*Securities & Exchange Commission*	Washington, D. C.
Batkin, Elv	*Batkin & Co.*	New York
Berry, Allison M.	*Robert Garrett & Sons*	Baltimore
Buckel, Harry B.	*Manley, Bennett & Co.*	Detroit
*Burke, Jr., William J.	*May & Gannon, Inc.*	Boston
Buse, Robert O.	*W. C. Thornburgh Co.*	Cincinnati
Ciano, Thomas	*Commercial & Financial Chronicle*	New York
*Christian, Edgar A.	*Stroud & Company, Incorporated*	Philadelphia
*Combest, Earl L.	*Barrett Herrick & Co., Inc.*	Kansas City
Corley, E. M.	*Blyth & Co., Inc.*	New York
*Curlette, Ralph H.	*Ludman Corp.*	North Miami
*Demmler, Hon. Ralph H.	*Securities & Exchange Commission*	Washington, D. C.
*Earnest, George H.	*Fewel & Co.*	Los Angeles
Evans, J. Herbert	*Beil & Hough*	St. Petersburg
*Girone, Joseph A. C.	*Wm V. Frankel & Co. Incorporated*	New York
Goldstein, Morris	*Batkin & Co.*	New York
Gregory, III, William H.	*Bonner & Gregory*	New York
*Haack, Robert W.	*Robert W. Baird & Co.*	Milwaukee
Hecht, Jr., John C.	*Dempsey-Tegeler & Co.*	Los Angeles
*Hudepohl, Harry J.	*Westheimer and Company*	Cincinnati
*Jackson, Winton A.	*First Southwest Company*	Dallas
Jacoby, Jr., Lewis P.	*Thayer, Baker & Co.*	Philadelphia
*Johnson, Samuel P.	*Southwestern Securities Company*	Dallas
*Jolley, Lex	*The Robinson-Humphrey Company, Inc.*	Atlanta
Jolley, Malinda		
*Knapp, Reginald J.	*Wertheim & Co.*	New York
Koeser, Orin E.	*Blyth & Co., Inc.*	Cleveland
Krasowich, Joseph	*Bonner & Gregory*	New York
*Krumholz, Nathan A.	*Siegel & Co.*	New York
Laird, Frank J.	*Stroud & Company, Incorporated*	Philadelphia
*Leary, A. McIntyre	*Barrow, Leary & Co.*	Shreveport
*Macrae, Jr., Collins L.	*Wulff, Hansen & Co.*	San Francisco
*Maguire, James B.	*J. B. Maguire & Co., Inc.*	Boston
*Marks, Jr., Albert A	*Newburger & Co.*	Atlantic City
McElyea, Mrs. Annie	*First Southwest Company*	Dallas
*McLaughlin, John F.	*McLaughlin, Reuss & Co.*	New York
*Mellin, William T.	*H. C. Wainwright & Co.*	New York
Morton, Roald A.	*Blue List Publishing Co.*	New York
*Mosley, R. Victor	*Stroud & Company, Incorporated*	Philadelphia
*Mundy, James G.	*Stroud & Company, Incorporated*	Philadelphia
*Oetjen, Henry	*McGinnis & Company*	New York
Ohlandt, John D.	*New York Hanseatic Corporation*	New York
O'Kane, Jr., John J.	*John J. O'Kane, Jr. & Co.*	New York
*Patterson, Harold C.	*Securities & Exchange Commission*	Washington, D. C.
Porter, Claude G.	*Baker, Simonds & Co.*	Detroit
*Powell, Alfred L.	*Alfred L. Powell Company*	New York
Pulliam, Lawrence S.	*Weeden & Co.*	Los Angeles
*Roos, J. William	*MacBride, Miller & Co.*	Newark
*Saunders, Walter F.	*Dominion Securities Corporation*	New York
Sheppard, Mrs. Nell	*Southwestern Securities Company*	Dallas
*Siegel, Sidney A.	*Siegel & Co.*	New York
*Singer, Louis P.	*Troster, Singer & Co.*	New York
*Smith, Harold B.	*Pershing & Co.*	New York
Smith, Herbert C.	*Blyth & Co., Inc.*	Boston
*Smith, Joseph E.	*Newburger & Company*	Philadelphia
Starkey, Adolph G.	*Putnam & Co.*	Hartford
Townsend, Curtice N.	*Weeden & Co.*	Boston
*Troster, Col. Oliver J.	*Troster, Singer & Co.*	New York
Wahlquist, George R.	*Weeden & Co.*	Chicago
*Whitney, Richard E.	*Whitney & Company*	Salt Lake City

*Mr. and Mrs.

Electronics in Banking Operations

By JOHN S. COLEMAN*
President, Burroughs Corporation

Though warning much research is still needed to bring about more economical and efficient changes in handling banking operations, Mr. Coleman recites a number of new devices which eliminate much of a bank's paper work. Points out electronic techniques are bound to be a significant feature in business machines and other implements employed in banking. Describes several recent electronic devices having banking and business applications, and predicts more, as speedily as is practical.

It is a happy and healthy situation that we Americans are adaptable to change and take new things in stride. If I had come before you ten years ago to speak on electronics and banking, it would have been necessary to devote a considerable amount of time to an explanation of electronics. Today I feel no obligation to define the term and, as a matter of fact, in looking over a considerable amount of non-technical material on the subject published in recent years, I found that no one else felt so obliged. We now accept electronics, like electricity or the telephone, for what it does. Television, radar, and computers are now, so to speak, a part of the furniture.


John S. Coleman

At the same time, electronics obviously has new worlds to conquer, not least the world of the office. The electronics era is certainly only in its infancy as far as office applications are concerned. But it *has* begun. Vast research programs of many companies, both in and outside the office equipment industry, have already brought about much progress. Large scale electronic computers are being used to solve certain types of business problems where the computations involved are as complex or extended as the scientific problems for which these devices were designed. These, of course, cannot be described as office machines, but the first steps are now being taken in applying the same principles to office equipment.

In short, electronic techniques are bound to be a significant feature in business machines of the future. Simply on the basis of the rate of progress in the last few years, therefore, it is clear that banking management, as well as the management of any kind of business or industry, must keep abreast of developments in this fast moving field.

Indeed, bankers have a special contribution to make. We need new ideas, we need your participation in developing new applications for new techniques. Your business, more than any other, is the manufacturing of accounting records. In the accounting problems of banks, therefore, the office equipment industry finds perhaps its greatest challenge.

It is my conviction, however, that the logical approach to better production in the office has not changed. It continues to be the same as for any other kind of production job. That approach involves a thorough and continuing study of all phases of the task that must be accomplished. It requires the optimum use of the best available equipment that has been designed for each particular phase. It implies avoiding waste —waste which accrues from mechanizing jobs that are not necessary in the first place; waste that inevitably occurs when we use idle time on a machine to accomplish work for which that machine is not well suited. It means accepting the fact that better office productivity will often require replacing a machine—not because it can no longer do its job, but simply because a new machine has become available which can do the same job better or more economically.

No Sudden Decimation of Clerical Employees

It is, I submit, through applying this philosophy on a day-to-day basis that we can best attack the problem of office costs. There is no prospect of a sudden decimation of our clerical population. We can anticipate no abrupt disappearance of the orthodox business equipment with which we have long been familiar. In banks and in all other business institutions, there will always be a need for the machines that get straight to the answer when a direct and immediate result is needed. The end of their utility is not in sight. Today's costs cannot be reduced with tomorrow's tools. Our immediate problem will remain, that is, cutting costs by using available equipment as efficiently as possible. The historic pattern of steady improvements and refinements in these products will continue as before to provide you with ever better means of increasing the productivity of your clerical personnel. But gradually, as we learn more about the new science, it will be possible to design simple, practical and economical electronic devices. They will then begin to take their place beside the orthodox equipment, and in combination with it. My point, gentlemen, is simply this: electronics represent only a part —though an important one—of an overall evolutionary trend.

Up to the time of the giant electronic "brains," progress in increasing productivity in the office had taken two routes. In one, emphasis was placed on speeding up individual steps in processing information: in the other, efforts were concentrated on combining various of the individual steps into one. It was inevitable that the question would arise, "Why not both?" With the advent of the large scale electronic computer, that question seemed at first glance to emerge from the realm of the theoretical to that of the practical. As far as scientific computation was concerned, the extraordinary performance of these devices represented in many ways an ideal mixture of speed and integration. From there it seemed but a short step to what has come to be known as the automatic or "push button" office —a fast and entirely integrated system into one end of which one could feed raw business data and receive from the other, without human intervention such finished documents as invoices, paychecks, statements and reports, all in usable form.

In retrospect, however, it became evident that complete integration, although theoretically possible, did not constitute a real-

Continued on page 33

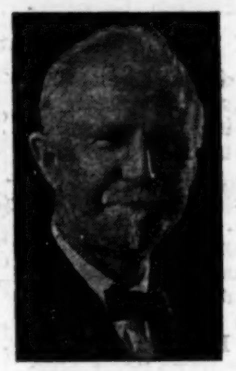
*An address by Mr. Coleman before the Pacific Coast Banking School, University of Washington, Seattle, Wash., Aug. 24, 1954.

Now Is a Good Time to Buy!

By ROGER W. BABSON

Mr. Babson holds it is probable the downward swing in prices, which commenced in early 1951, has about run its course, and retail prices for the next six months or so are not likely to go lower. Says farm prices will sag when this year's crops are in, and food ought, therefore, to be more reasonably priced. This saving to the consumer, however, he notes, will be offset by increases in rent and other services.

Have you been waiting to buy a new car, television, fur coat, or outfit for the children? If so, now may be the best time for some months to come.


Roger W. Babson

Commodity prices began their long decline in early 1951, but it was not until much later that the consumer began to feel the effects in the market place. As the spiral of the decline gathered momentum, the downward adjustment in business got under way just about a year ago. Production cutbacks were ordered. Tens of thousands were laid off. Overtime schedules were curtailed. Business slowed down its buying of raw materials; consumers pulled in their belts and cut back spending.

We have had a year of uncertainty. Some economists expected the business dip to bring a drop in wages because this is usually the pattern. But this didn't happen except in a few instances. While the physical volume of business declined about 10% compared with last year, prices fell only about 1% on the average, while wages continued high.

Where We're Going

What does this mean, now, to you? It means that, in general, the downswing in prices which commenced in early 1951 may have about run its course. Retail prices, for the next six months or so, will probably go no lower. So, if you're waiting for a further decline in prices to buy a cherished article for which you have been saving, you can be reasonably safe in buying now. Some prices, such as for metals and textiles, may seek higher levels during the months to come. Barring crop failure, I forecast that farm prices will sag when this year's crops are in. Food ought, therefore, to be a little more reasonably priced. However, these savings for you will, I expect, be offset by increases in rent, transportation, and other cost-of-living components.

Several factors support my reasoning: (1) The anticipated increase in second-half business activity will probably spur some raw-commodity price levels, which in turn will be passed along to you in the price of the finished product. (2) If international tensions continue to deepen, there will be a definite threat to some imports and a subsequent bolstering of some "American made" markets, and a probable firming of prices of such products. (3) The liberalized credit policy of the Eisenhower Administration will tend to halt deflation, and may once again encourage inflation, which means price rises.

Is This Good for You?

My personal reaction to the recent credit stretch, freeing more than $1.5 billion for expanding bank loans and investments, is mixed. This policy went into effect at a time when short-term money rates were approaching record low levels and when bond prices were not far from historical high levels.

Our government was unwilling to take a chance on a decline in credit and money supplies in the months to come. By making money more plentiful and cheaper, it also hoped to encourage business. This is usually the forerunner of inflation and higher prices. This particular action, coming when it did, has a strong political tinge. Remember, elections are not far off.

Better Salesmen Needed

Time will tell whether present trends are good or bad for your pocketbook. We may have about reached a cyclical low in our retail price structure. If labor forces its demands for further increased wages, once again prices will be sure to rise.

One of the very good signs in our economy is the sharp increase in the recent competitiveness of both manufacturers and retailers. This was needed in the field of sales because many of the old-timers who really knew how to sell in the prewar years have since retired, while many youthful salesmen and sales clerks have never learned how to sell because they have seen no real competition. Competition is good because it brings with it a better product for less money and with better service.

Joins Walston & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Stanton N. Rathburn is now with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With W. C. Birkenmayer

(Special to The Financial Chronicle)

DENVER, Colo.—John T. Terrill is now affiliated with W. C. Birkenmayer & Co., U. S. National Bank Building.

Two With Boettcher

(Special to The Financial Chronicle)

DENVER, Colo. — Robert F. Adam and Henry J. Shirley, Jr. have been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Britain's Trade Prospects

By HEATHCOTE AMORY*
Minister of State, Board of Trade, Great Britain

After briefly tracing Britain's economic recovery since World War II, particularly in removal of economic controls, British Cabinet member stresses the practical necessity of increased world trade. Reveals British export prospects, and calls attention to widening and more intensive foreign competition. Denounces competition between governments in export subsidies. Expresses disappointment at slowness of U. S. in implementing program outlined in Randall Commission's Report.

I welcome this opportunity to speak about the United Kingdom's trade prospects before a body of such distinction and experience in business affairs on both sides of the Atlantic. Two years ago, the Chancellor of the Exchequer told you about Britain's determination to regain her economic strength and restore the position of sterling as a world currency. I think we can claim that the period since then has been one of solid and substantial achievement.

I will not go back to the immediate postwar difficulties. These were successfully overcome, thanks in part to the very generous and disinterested help we received from our friends on the other side of the Atlantic—"the most unsordid act in the history of the world" as the Prime Minister called it. During the last two years we have seen quite a remarkable strengthening of Britain's internal and external position. At home, there has been expansion without inflation and industrial production is now running higher than ever before. The external picture is also encouraging. The United Kingdom's exports in the first six months of this year were 7% above the rate in the first half of 1953—and despite the U. S. recession the sterling area's central gold and dollar reserves continued to rise.

These heartening movements have been accompanied and perhaps influenced by Government action to widen the field of freedom in the economy as a whole: at home for instance raw material controls have been abolished and consumer rationing is now ended. In international trade, the handover from public purchasing agencies to private business is almost complete and the few items which the Government still buys accounted for only 5% of our 1953 imports. The great international commodity markets are open again, and we have gone a long way towards restoring to private traders freedom to import without restrictions. Nearly half our imports come from the sterling area and on these there is virtually no control at all. Furthermore, on the basis of 1948 figures, 80% of our trade with the O. E. E. C. countries has now been liberalized. As for imports from the dollar area, I do not think it is generally realized that about half our imports in 1953 from North America are now free from licensing restrictions—and that about a third of our imports from the United States in 1953 consisted of manufactured goods. I am sure you appreciate that we cannot do everything at once by relaxing restrictions over the whole field of manufactured and consumer goods. But I can assure you that we are looking forward to removing restrictions on dollar imports the very first day that our balance of payments permits.

Our economic policy is designed to contribute towards a freer system of multilateral trade and payments covering the widest possible area of the world.

But the speed with which we move to such a freer system must depend upon action taken within the dollar area, as well as developments in our own balance of payments situation. This is one of the conditions which the Chancellor of the Exchequer has always laid down when referring to appropriate policies by creditor countries as a pre-condition to convertibility. That is to say, if you are not going to discriminate against others, you want them so to order their policies as to widen the area of trade upon which we can all live.

*An address by Mr. Amory at the American Chamber of Commerce Meeting, London, Eng., July 28, 1954.

Expansion of Trade—A Practical Necessity

Our interest in world trade is obvious but, I believe, some people—both British and American—overlook the fact that the United States also has a real commercial stake in its continued growth, and that for America as well as for Britain the expansion of trade is not only a theoretical desirability but a practical necessity. In terms of the daily lives of American citizens, it has been estimated, for instance by the staff of the Randall Commission, that over 4 million — of whom less than a quarter work on farms—depend for their livelihood on United States foreign trade. If this trade stopped tomorrow the number thrown out of a job would be more than the number of those unemployed as a consequence of the recent recession in U. S. business activity.

I would like to say a few words about our trade with the United States, to which our exports last year were valued at an all-time high of $445 million. The full impact of the United States recession is apparent in the latest half-yearly figures, which show a decline of 8% from the same period in 1953. But in all the circumstances this is not a surprising nor indeed a discouraging decline. Am I too optimistic in thinking that there are now signs that the recession has passed the ebb and that a positive recovery has begun?

Everyone the world over has been profoundly relieved by these encouraging signs, for no one today is ignorant of the disastrous effects which continued and severe recession in the United States would have on prosperity throughout the world. The view is, however, too prevalent in America that U. S. policies on tariffs and trade are not really important and that the United Kingdom and other countries exporting to the United States need only be concerned with the level of demand in that market. Of course, United States business activity is the key factor, since no trader can prosper in an inactive market; nor, incidentally, can he prosper without determined salesmanship of goods which meet the customers' demands in price and quality. As in this we — on our part — must redouble our efforts to find and satisfy customers on the exacting but vitally important U. S. market. But it would be quite wrong to suppose that the United States trade policy generally, and her policy towards imports in particular, is only a matter of academic interest. Artificial barriers to imports are terrible handicaps; nor must the damaging effect of uncertainty on export effort be underrated. It is because these policies are of such practical importance that we and the other European countries anxiously awaited the Randall Commission's report and saw with satisfaction the President's endorsement in his message to Congress of its recommendations, even though these did not go as wide or as deep as some of us had hoped. It is why we are now, I must frankly say, disappointed to find that we must wait yet another year for the implementation of the Administration's trade program. And as I have already said, it is not only our interests but also America's which are involved.

I hope that the American members of my audience will not think it discourteous of me as a member of the British Government to speak at such length on the trade policy of the United States Government and to express so frankly my disappointment at the slowness of its implementation. I assure you that I would not have done so were it not for my confidence in our underlying identity of views. On a basis of fruitful cooperation and with the generous assistance of the United States Government, so effectively displayed by His Excellency the Ambassador, Mr. Lincoln Gordon and their staff, we have been able to progress a long way since the days when a yawning dollar gap lay so menacingly between us. Today there is, I believe, a lot of agreement on both sides of the Atlantic on the means by which that gap can be still further narrowed. The broad lines of policy necessary to that end were outlined by President Eisenhower in his Message to Congress. It is a policy which we in this country welcome and which we believe must succeed, for, as the President said "If we fail in our trade policy, we may fail in all. Our domestic employment, our standard of living, our security, and the solidarity of the free world—all are involved."

British Export Prospects

What about our export prospects and those for world trade as a whole? Our exports, during the first six months of 1954, have been going quite well. Their volume has reached a level about as high as in any previous half year since the war.

Our engineering and our textile industries have done well so far this year, so have many of the newer industries—which now account for about 10% of our exports—aircraft of all kinds, television transmitting equipment, radar equipment, agricultural machinery, office machinery, antibiotic drugs, and many others.

All this affords ground for encouragement but not for complacency. The improvement in our exports which I have described is partly due to the relaxations of import restrictions in sterling countires in the past year. It is also due to the expansion in trade outside North America and especially in Western Europe which has been so heartening a feature of the last 12 months. All this is very welcome. But the important objective, of which we must never allow ourselves to lose sight, is that of improving our relative competitive power. In this field, as old problems are solved new ones arise. Long delivery dates no longer stand in the way of our exporters' efforts to win new orders. It is in the field of price and sales promotion in all its aspects, that the determining factors in international competition now lie.

But we are perhaps too prone to think of competition solely in terms of our position vis-a-vis Germany or Japan. There are other European countries and there is the United States itself. Germany's share of world trade is still well below, even allowing for the reduced area of the Federal Republic, the share which she held before the war. By contrast, the United States' share of world exports of manufactured goods is well above—an increase from 20% to 27%. Over the last three years we have just about held our share of world trade. To improve it will clearly require a big effort.

Our businessmen are not afraid of competition. In our long history we have been used to it. It is healthy and stimulating and if we are honest with ourselves we shall admit it does us all a lot of good.

Export Subsidies

One kind of competition we do not like is competition between governments in export subsidies. Her Majesty's Government have, therefore, taken a leading part in the OEEC and IMF in trying to persuade other countries that these schemes can only lead to a mutually destructive race between governments, and the Federation of British Industries have actively supported the government in this task. It is satisfactory that the United Kingdom and German Governments have recently found themselves in agreement in condemning open or concealed export subsidies.

I should like to say a word in this connection about our Export Credits Guarantee Department which, it is sometimes alleged, is a form of subsidy to exporters. This is not so and we have every intention of continuing to ensure that it is not so. ECGD seeks to cover the exporter against losses arising from some of the major risks in overseas trade—by operating on a sound commercial basis and maintaining its solvency from the premiums which the exporter has to pay.

Also as regards credit and overseas lending there are limits to what we can prudently do—the United Kingdom has to pay for its imports on receipt. But the giving of reasonable credits for exports of capital goods is a fact of life in this competitive world which we all have to accept. The government's policy therefore is not to prevent the exporter from offering whatever credit terms he thinks commercially appropriate and ECGD provides reasonable cover for medium term credit within the general limits of its operations as I have just described them. We sometimes hear spectacular stories of lavish credit allegedly given by our competitors. They should be taken with a pinch of salt.

Much of what I have said about our progress and prospects is well known to you, but I have tried in this brief review to give you a general picture of how things look to us, of what causes us anxieties or satisfaction. Today, there are some questions on which America and Britain do not quite see eye to eye, but when this happens it is about the means and not the ends we are working for.

You and your members, Mr. President, have shown yourselves to be active ambassadors of goodwill and understanding. You and others like the English Speaking Union—that most excellent and influential association of friends on both sides of the Atlantic of which I am proud to be a member and hope to remain one all my life—are doing a grand job.

The Solid Anglo-American Alliance

If peace has her victories no less renowned than war, she has her trials and strains also and these call for all the patience and understanding and comradeship we can muster. War between our countries there can never be. The only one attempted in the last 150 years in 1812 was a flop and a fiasco. When peace was signed our two countries agreed to disagree about everything except the conclusion of hostilities. Since then destiny has thrown us more and more together. Today—amid all our daily worries and distractions let us never forget this basic truth — the Anglo-American Alliance is the solid and enduring foundation on which the future peace of the world rests. Whatever compromises we have to reach we must never compromise over that. So let us work together, let us trade together, and let us visit each other as often as possible.

Brew-Jenkins Arranges Mid-States Shoe Loan

The Mid-States Shoe Co., Milwaukee, Wis., has placed privately, through Brew-Jenkins Co., Inc., also of Milwaukee, an issue of $1,400,000 3¾% promissory notes due 1960.

It was also announced that Mid-States Shoe Co. has issued as a dividend 17,014 shares of 6% cumulative sinking fund preferred stock (par $100).

There are also outstanding 80,000 shares of common stock out of an authorized issue of 300,000 shares (after repurchase), Brew-Jenkins Co., Inc. announced in connection with the new refinancing plan of Mid-States Shoe Co. At last accounts there had been outstanding 170,132 shares of $1 par value.

The Syndicats Elect Ensuing Year's Officers

The Syndicats, an organization comprising women secretaries of syndicate managers of Wall Street underwriting houses, announced yesterday the election of Miss Marguerite Kascle, of Riter & Co., as President to serve for the coming year. The election of Miss Helen Campbell, of Lee Higginson Corporation, as Treasuer of The Syndicats and the election of Ruth Curtayne, of White, Weld & Co., as Secretary of the Executive Committee, also were announced. The organization was founded five years ago.

Walter Oppenheim 30 Years With Firm

Walter Oppenheim, Vice-President and Treasurer of New York Hanseatic Corporation, 120 Broadway, New York City, is observing today the 30th anniversary of his association with the corporation.

Four With Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James D. Donahue, Luther W. Greider, Jr., Philip J. Wegeng, Jr., and Harold W. Zielke are now with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Bergie E. Larson has become connected with Goodbody & Co., Penobscot Building.

With Bradbury-Ames

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Fred T. Roussin is now with Bradbury-Ames Co., McKay Tower.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gilber S. Currie has joined the staff of Dean Witter & Co., 632 South Spring Street.

Joins Milton Powell

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Murel D. Rhodes is now affiliated with Milton C. Powell Co., Security Building. Mr. Rhodes was formerly with King Merritt & Company, Inc. and Curtis Lipton Company.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Irving Trust Company, New York, on Aug. 19 announced the promotion of Harold L. Nelson from Assistant Secretary to Assistant Vice-President. Mr. Nelson is engaged in the Company's investment activities.

* * *

John M. Robert, Assistant Vice-President of **Union Dime Savings Bank, New York,** has been elected Secretary of the Bank to succeed the late Millard S. Trotter.

Mr. Robert who will continue to hold the title of Assistant Vice-President, is in charge of operations and personnel. He has been with the Union Dime since 1916, when he joined the staff as a clerk in the Bookkeeping and New Accounts Departments. Progressing through various positions on the banking floor, in 1931 he helped install the unit system for the Bank. Mr. Robert was elected Assistant Secretary in 1943 and Assistant Vice-President in 1949.

John E. O'Donnell, the bank's accountant, has been elected Assistant Secretary. Mr. O'Donnell has served the Bank in various capacities since 1929.

* * *

Atlantic Bank of New York on Aug. 16 opened a modern office at 960 Avenue of the Americas at 35th Street.

* * *

BANK ITEM FOUR 4

It was announced today by Ralph T. Tyner, Jr., President of **The Westchester Bank & Trust Company, New Rochelle, N. Y.** and John F. Boland, President of **The First National Bank & Trust Company of Tuckahoe, N. Y.,** that as a result of conferences between the officers of the two institutions a committee from the Board of Directors of The Westchester Bank & Trust Company and a similar committee from the Board of Directors of The First National Bank & Trust Company of Tuckahoe had been appointed to determine the advisability of consolidating these two institutions, and that a tentative agreement has been reached to consolidate the two banks under a National Bank charter, with its principal office in the City of White Plains.

If the plans are approved, after going through the regular channel for consolidation the consolidated bank will have combined total assets of $91,250,000.

The Westchester Bank & Trust Company, formerly New Rochelle Trust Company, in existence since 1888, recently joined with **The Peoples National Bank & Trust Company of White Plains, N. Y.,** and has assets of $77,500,000. This last merger followed after the absorption of **The Huguenot Trust Company, in New Rochelle, N. Y.** The Westchester Bank & Trust Company has eight offices in White Plains, Valhalla and New Rochelle.

The First National Bank & Trust Company of Tuckahoe, with assets of $13,750,000 was organized in 1914.

* * *

Stockholders of **First Bank & Trust Company of Utica, N. Y.** at a special meeting on Aug. 23, overwhelmingly approved the sale of 1,935,000 shares of additional common stock to **Marine Midland Corporation** and retirement of the Bank's preferred stock which has been held by the Reconstruction Finance Corporation. Owners of well over 90% of the Bank's 215,000 shares of common stock expressed their approval in person or by proxy.

This action was required preliminary to purchase of the stock by Marine Midland Corporation on Sept. 1.

* * *

Harry M. Merwin, 85, President of the **Milford Savings Bank, Milford, Conn.,** died on Aug. 18, after several months' illness.

Mr Merwin had been head of the Bank since 1934. From 1921 to 1947, he was First Selectman.

* * *

Dr. Jess Harrison Davis, has been elected a Director of the **First National Bank of Jersey City, N. J.,** Kingsbury S. Nickerson, President, announced on Aug. 19. Dr. Davis is currently a member of the board of managers of the **Hoboken Bank for Savings, Hoboken, N. J.**

* * *

Directors of **Harris Trust and Savings Bank, Chicago, Ill.,** named a new Vice-President of the Bank and created three new officerships at their meeting on Aug. 11, Mark A. Brown, the Bank's President, announced.

Elected Vice-President in the Trust Department was William H. Froembgen. William H. Spitler was elected an Assistant Secretary, another Trust Department post. Robert C. Hawley was named Assistant Manager, Trading Department, and George D. Smith, II, Assistant Manager, Municipal Department, both in the Investment Department of the Bank.

Mr. Froembgen, who has been with the Bank 25 years, has specialized in probate work in the Trust Department. He was elected an Assistant Secretary in 1940 and Assistant Vice-President in 1948.

Mr. Spitler has had extensive experience in the corporate trust division of the Trust Department. He was elected pro-Secretary in 1951, and is the operating officer of the Bank's Stock Transfer Department.

Mr. Hawley, who joined the Bank in 1937, served in the Banking and Trust Departments before joining the Investment Department in 1949.

Mr. Smith joined the Harris Bank in 1946 and has served since then in the Investment Department.

* * *

The First National Bank of Barrington, Ill. increased its common capital stock from $150,000 to $250,000 effective Aug. 12. $50,000 of the increase was made by a stock dividend and $50,000 by sale of new stock.

* * *

The Board of Directors of **The Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.,** has authorized an increase in the number of the Bank's $10.00 par shares of capital stock from 1,360,000 to 1,500,000 shares. Forty thousand shares are to be paid to stockholders in November as a special stock dividend in the ratio of one new share for each 34 shares owned. Stockholders will be offered the right to subscribe to the other 100,000 shares on the basis of one new share for each 14 shares held. Record dates, price of the offering, and definitive terms are to be determined by the board.

At the same time, the Directors announced plans for a new branch office at 6150 Woodland Avenue, Philadelphia, and proposed a shift in the bank's fiscal year, which now ends on Nov. 30, to a calendar year basis. Also recommended is a change in the date of the annual stockholder meeting from the third Monday of January to the second Monday of February in each year.

These actions were announced in a letter mailed to stockholders on Aug. 25 by William Fulton Kurtz, Chairman, and William L. Day, President. A special meeting of the stockholders will be held November 1 to vote on the Board's proposals, subject to final approval by the supervisory authorities.

It is expected that the new financing will add upwards of $4,000,000 to the bank's capital funds and will be completed before the end of the year.

Since the Pennsylvania Company's last stock offering in June, 1951, capital funds have increased, through retention of earnings, by $7,732,865. The new money will bring the bank's total capital funds, including free reserves, to approximately $63,700,000 by the end of 1954.

The Company's total assets are approximately $775,000,000 and funds in the custody of the Trust Department are in excess of $1,400,000,000.

* * *

The First National Bank of Barrington, Illinois, increased its common capital stock from $150,000 to $200,000 effective Aug. 12. $50,000 of the increase was made by a stock dividend and $50,000 by sale of new stock.

* * *

The Directors of **The Omaha National Bank, Omaha, Neb.,** announced on Aug. 26 the election of the following directors and officers:

Directors: John R. Jirdon, Lloyd H. Mattson, Henry C. Karpf, V. J. Skutt, Wade R. Martin and J. L. Welsh.

Officers: Henry C. Karpf, Vice-Chairman; Vice-Presidents: Wade R. Martin, R. H. Kroeger, Paul Hansen, H. H. Echtermeyer, John M. Shonsey, Albert R. Stelling, Marvin R. Werve, C. G. Pearson and L. V. Pulliam; Assistant Cashiers: Victor W. Nielsen, Marshall C. Dillon, Fred D. Bellows, Russell A. Loring, Richard Gash, Anna T. Olsson, Dean B. Marquardt, Jack H. Babcock and Howard M. Johnson; George E. Turley, Asst. Auditor.

* * *

Citizens Fidelity Bank and Trust Company, Louisville, Ky., has absorbed **Citizens Fidelity Bank, Buechel, Ky.** and **Citizens Fidelity Bank, St. Matthews, Ky.** Branches were established in the former locations of Citizens Fidelity Bank, Buechel and Citizens Fidelity Bank, St. Matthews.

* * *

The First National Bank in St. Petersburg, Fla., increased its common capital stock from $800,000 to $1,000,000 by a stock dividend effective Aug. 11.

* * *

Lease of adjacent property totaling 10,000 square feet of ground area for expansion of the First National Motor Bank has been announced by Ben H. Wooten, President of the **First National Bank in Dallas, Texas.**

The site, extending 200 feet from Elm to Pacific in the 1400 block and fronting 50 feet on both streets, will be used for the erection of an addition rising to the same height of the present motor bank structure. Comprising seven stories plus basement, the First National Motor Bank is located across Elm from the main banking quarters of First National Bank, with which it is connected by an under-the-street passageway.

The new construction, scheduled to get under way as soon as plans can be drawn, will increase the total floor area of the First National Motor Bank by two-thirds, or approximately 80,000 square feet, and will practically double its banking and parking facilities, Mr. Wooten said.

"Undertaking the motor bank expansion program simply means that we have already nearly outgrown our facilities within a little more than two years of operation and are keeping step with customer acceptance which since opening of the motor bank in April, 1952, has accelerated its use to a peak of more than 1,000 cars during a single banking day," said Mr. Wooten.

* * *

Election of W. E. Jones, Jr., Assistant Cashier, **Republic National Bank, of Dallas, Texas** to the position of Assistant Vice-President, was announced on Aug. 11 by Fred F. Florence, President of the Bank.

Mr. Jones, who joined the staff of Republic Dec. 10, 1923, has held various positions in the bank, including bookkeeper, teller and utility auditor. He was elected Assistant Cashier Jan. 1, 1949.

Election of James Edward Grisham, of Wellesley, Mass., as an Assistant Vice-President of Republic National Bank, Dallas, Tex., effective Sept. 1, was also announced on Aug. 12.

Mr. Grisham for some time has been an officer on the staff of the **National Shawmut Bank of Boston, Mass.**

* * *

The shareholders of **The Bank of California, N. A., San Francisco,** at a special meeting held on Aug. 10, voted favorably upon the proposal to merge the **Bank of Martinez** into The Bank of California, N. A.

At their regular meeting, following the shareholders' meeting the Board of Directors elected the present officers of the Bank of Martinez as officers of The Bank of California, N. A. The appointments became effective Aug. 23, which was the date of the actual merger.

Leroy M. Beede, who is the executive head of the Bank of Martinez, will continue in that capacity as Vice-President and Manager of the Martinez office. Elected to the position of Assistant Manager were Frank R. Jones, William D. Dockstader, G. H. Rose., M. Cerri and A. Negretti.

* * *

The Anglo California National Bank of San Francisco, Calif., will establish an office in Vallejo through the acquisition of the assets of the **Mechanics and Merchants National Bank of Vallejo, Calif.,** as soon as the final details of the transaction have been completed, according to a joint announcement made by Paul E. Hoover, President of the Anglo Bank, and Dan Foley, President of the Mechanics and Merchants.

This is the third new Anglo office announced during the past week. Several days ago Anglo announced that it will acquire the assets of the **First Savings Bank of Colusa,** and operate its offices in Colusa and Maxwell as Anglo offices.

The Mechanics and Merchants National Bank, was founded in 1929 and has assets exceeding $13,500,000.

The new Vallejo office, together with the forthcoming offices in Colusa and Maxwell, will bring the total of Anglo offices to 38, located in 23 Northern and Central California communities. Five other new offices, now either building or pending, will be added in the near future. The new unit in Vallejo will be the 19 Anglo office in the Bay Area.

The date when the Vallejo office will be taken over and the appointment of the management will be announced shortly, Mr. Hoover said.

* * *

The shareholders of **The Bank of California, N. A., San Francisco, Calif.** at a special meeting held on Aug. 10, voted favorably upon the proposal to merge the **Bank of Martinez** into The Bank of California, N.A.

At their regular meeting, following the shareholders' meeting, the Board of Directors elected the present officers of the Bank of Martinez as officers of The Bank of California, N.A. The appointments became effective Aug. 23, which was the date of the actual merger.

Leroy M. Beede, who is the executive head of the Bank of Martinez, will continue in that capacity as Vice-President and Manager of the Martinez office. Elected to the position of Assistant Manager were Frank R. Jones, William D. Dockstader, G. M. Rose, M. Cerri and A. Negretti.

* * *

Directors of **The Royal Bank of Canada (Montreal)** announced that the capital stock of the Bank will be changed at a date to be fixed later from book stock to ordinary registered stock represented by certificates transferable in the usual way.

James Muir, President of the Bank, pointed out that this was a change in the practice followed up to now by all Canadian chartered banks. It is designed to make transactions in the bank's shares more convenient for shareholders, Mr. Muir continued, by enabling them to deal with the shares in the same way as other listed stock.

* * *

Moors & Cabot to Admit A. R. Wells

BOSTON, Mass. — Moors & Cabot, 111 Devonshire St., members of the New York and Boston Stock Exchanges, on Sept. 1 will admit Alden R. Wells to partnership. Mr. Wells was formerly with Coffin & Burr, Incorporated and prior thereto was an officer of J. H. Goddard & Co., Inc.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Richard R. Jackman to Roger L. Strong will be considered by the Exchange on Sept. 2.

On the same date the Exchange will also consider the transfer of membership of Victor Verace to S. Marcus Finkle, and Charles Henry Mellon to Chester C. Veldran.

T. E. McElroy Opens

FREEDOM, N. Y.—Thomas E. McElroy is engaging in a securities business.

LETTER TO THE EDITOR:

Reid Taylor Answers Frederick Shull on Price of Gold

Says fixing the price of gold at any arbitrary price is tampering with the diciplinary function of gold in relation to the price level. Denies implication by Mr. Shull that irredeemable paper money has retained its value over certain periods of history.

Editor, Commercial and Financial Chronicle:

A statement made about John Sherman (Secretary of the Treasury after the Civil War) in my March 25 article in the *Chronicle* has been misconstrued by Frederick G. Shull, a member of the Gold Standard League, in a letter which appeared in your issue of July 15. Far from "using John Sherman to support the claim that there should be a higher price for gold," it was simply emphasized that John Sherman, as a great proponent of the Gold Standard, was not afraid of a higher price for gold. He was not "perfectly content, and properly so, to leave it at $20.67 an oz." until a free market for gold over a period of some nine years had convinced him that it would be safe to resume specie payments at that level.

Reid Taylor

If we could make the dollar redeemable into gold at $35 an oz., all well and good, but why risk such an operation after the purposeful bludgeoning which our money has taken over the last 20 years? John Sherman would not take such a risk without the guide of a free gold market, even though confidence at that time had suffered only a comparatively mild and brief relapse. Some who profess to believe in a Gold Standard seem to forget that gold is the standard and that if it is to serve its useful purpose in the economy it must be used to determine values irrespective of what some people may think those values should be. Fixing the price of gold at any arbitrary level, be that the same as the present fictitious price or at a higher price, is "tampering" with the disciplinary function of gold and can only lead to trouble. We use a yardstick as a standard for linear measurements. We use a pound as a standard for weight. We should use gold as a standard for value. Why interject a variable in the form of paper money redeemable into gold at an arbitrarily concocted price? Let's be realistic. Gold is bigger than government. Governments cannot dissipate and commit every type of perversion, and then come back and assume that all is forgiven and their promises to pay can be restored to their former place of honor.

Do two wrongs make a right? We all agree that it was wrong to go off the Gold Standard and arbitrarily call the price of gold $35 an ounce. Should we now attempt to maintain that price for gold by redeemability, or should we now once and for all get at the truth in the light of present conditions, as would have John Sherman?

Another statement in the July 15 article has been twisted out of its obvious and intended meaning. It was said that, "In all history there is not one example of paper money having retained its value for more than a brief period." Mr. Shull hopes "the public will not be misled by that bit of alleged 'history'." The "two excellent examples" which he contends "clearly disprove" this statement are (1) from 1816 until 1914 when England's paper money was redeemable in gold, and (2) from 1837 to 1933 when our paper dollar was redeemable in gold. It is difficult to understand how anyone could misconstrue this statement to mean paper money redeemable in gold. The entire article was centered around the dangers of paper money not backed by gold. To anyone who does not understand the facts, Mr. Shull would thus seem to be in the position of implying that fiat money, or paper money (call it what you will) has retained its value over certain periods in history. These are strange words and very disconcerting, coming from a member of an organization supposedly working for the restoration of hard money.

REID TAYLOR

Mitchell, Hutchins & Co.,
231 South La Salle St.,
Chicago 4, Illinois
Aug. 17, 1954.

Niagara Mohawk Power 3⅛% Bonds Offered

A syndicate jointly headed by Kuhn, Loeb & Co. and Union Securities Corp. yesterday (Aug. 25) offered $25,000,000 Niagara Mohawk Power Corp. general mortgage bonds, 3⅛% series due Aug. 1, 1984, at 102.26% and accrued interest, to yield 3.01%. Award of the issue was won by the group at competitive sale on Aug. 24 on a bid of 101.61%.

Net proceeds from the sale of the 1984 bonds will be used by the company to repay $8,000,000 in notes payable to banks and due Dec. 28, 1954; to reimburse the company's treasury, and to provide funds for construction of additional utility plant.

The 1984 bonds will be subject to redemption at general redemption prices ranging from 105.26% to par, and at special redemption prices running from 102.26% to par, plus accrued interest in each case.

Niagara Mohawk Power Corp. furnishes electric service to the public in an area in New York State having a total population of about 3,100,000, including among the principal cities served Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. Service is also furnished to numerous smaller communities and rural areas. The company distributes natural gas purchased from a non-affiliate company, in three areas in central, northern and eastern New York having a total population of approximately 1,400,000, including the cities of Syracuse, Albany, Utica and Troy and adjacent areas.

In an unaudited report for the 12 months ended June 30, 1954, the company showed total operating revenues of $208,854,000 and net income of $26,579,000. For the year 1953, operating revenues aggregated $205,224,000 and net income amounted to $26,343,000.

Other members of the offering group are: A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Carl M. Loeb, Rhoades & Co.; Riter & Co., and Putnam & Co.

A Common Sense Approach

"Legislation is obviously unwise that disregards these principles of sound personnel management and ignores the necessity of revenue to pay for salary increases.

"This measure [raising the salaries of Federal employees], because it ignores the Administration's recommendations for postal rate increases, would add $112 million to the cost of operating the Post Office Department, which is operating at a deficit of $400 million this year. It is well to remember that since 1945 the accumulated postal deficit has reached the staggering total of $4 billion. Likewise, this measure would add more than $200 million to Civil Service pay without providing any revenue to meet it.

Pres. Eisenhower

"My remarks in Washington on June 10 are now particularly pertinent. I then said, 'We hope to uproot the ingrained habit of operating the vast Post Office Department in an extravagantly wasteful and unbusinesslike manner. We cannot permit the deliberate operation of our Postal Department at a gigantic loss because a few are opposed to adequate postal rates. And we must have classification and promotional procedures for postal personnel that will serve the best interest of the government, the public and the postal workers themselves.' "—President Dwight D. Eisenhower.

Here is a statement obviously abounding in good, hard sense—and that regardless of the merits or demerits of specific proposals. We wish more of our national problems were approached in so level headed a way.

Canada's Changing Population Analyzed

The Bank of Nova Scotia, in its "Monthly Review," points out increase in number of urban families and shifts in age groupings are more significant than population growth.

In a discussion of Canada's population, the current issue of the Bank of Nova Scotia's "Monthly Review" calls attention not only to the recent rapid population growth, but to the more significant development shifts in the age groupings and the increase in the number of families that are flocking into towns and cities.

"The population as a whole has risen considerably in the past dozen years," the Bank points out. "In 1953 it was one-quarter larger than in 1941 without allowing for the addition of Newfoundland. What is even more striking is that the very young and the elderly increased much faster than the population as a whole. For years to come, needs for social facilities of all kinds, and particularly for schools and hospitals, will be influenced by the fact that the number of children under 10 was last year well over half again as large as in 1941 and the number of people 60 and over nearly two-fifths larger. In contrast, there were actually fewer teen-agers.

"It is significant, too, that the number of families has increased more than the total population and that more and more families are flocking into the towns and cities, particularly into the fringe areas surrounding the big cities. Between 1941 and 1951 the combined suburban parts of the 14 census metropolitan areas grew by some 68%. The sizable numbers of newcomers from abroad have contributed to this trend. At the census date, there were around 400,000 people living in Canada who had come in during the preceding five years, and three-quarters of them were living in urban areas.

"In addition to their obvious implications for the future size of the working population, for housing, for education, and for social building of all kinds, such shifts and changes in the population are of basic importance in market planning. What the population data reveal about where people are living and about, for instance, the number of families with young children or the number of old people in various localities shows the nature of the available market. Even more important, what can be deduced about the future size, characteristics and distribution of the population is an aid in planning for the years ahead.

"The two fastest-growing groups in the population in recent years," the "Review" continues, "are those under 10 years of age and over 60. The very large increase in young children shown in the 1951 census was in striking contrast to the 1941 census which showed the under-tens to be *actually fewer in number* than they had been in 1931. The implications for school enrolment of the sharp increase in the number of youngsters are staggering. Elementary school enrolment, which in any year is closely related to births 6 to 14 years earlier, has already risen markedly with the entry into the school system of the first contingents from the large numbers of postwar births. But the increase so far experienced is dwarfed by that which is in prospect. Towards the end of the present decade, when the youngsters born in the years 1946 to 1953 will constitute the elementary school population, enrolment promises to be around 40% higher than it was last year.

"At the other end of the age scale, the increase in the number of old people reflects the falling death rate: more people now live to grow old than before. It also reflects the big immigration of 1901-14, for the survivors of the young adult immigrants of those years are now in the over-60 group. The social and public health problems associated with the greatly increased numbers of elderly people are one of the main concerns of those in the field of health and welfare. Here again the incidence of the problem is unequal, for the elderly make up a larger proportion of the population in some provinces than in others. British Columbia tends to attract old people because of its climate, while some of the older provinces have for years been losing young people to other parts of Canada.

"The obvious result of the disproportionate increase in the very young and the old is a rise in the so-called 'ratio of dependency.' The group of active working age (15 to 59), which generally speaking must provide for the needs of the whole population, increased by only 12% between the last two censuses, as compared with an increase of 19% for the whole population, and in 1951 made up 58% of the population as against 62% in 1941."

Southeastern IBA Nominates J. M. Atkins

BALTIMORE, Md.—J. Murrey Atkins, President of R. S. Dickson & Co., Charlotte, N. C., has been nominated to serve as a member of the Board of Governors of the Investment Bankers Association of America, according to announcement by LeRoy A. Wilbur, Stern Bros. & Boyce, Chairman of the Southeastern Group of the Association. Mr. Atkins will succeed James H. Lemon, Johnston, Lemon & Co., of Washington, and has been nominated for a three-year term, beginning with the close of the 1954 Convention of the Association.

The Southeastern Group includes investment banking firms from the States of Maryland, Virginia, North Carolina and the District of Columbia. Also representing the Southeastern Group on the Board of Governors is Joseph W. Sener of John C. Legg Co. of Baltimore.

Mr. Atkins is a native of North Carolina and after graduating from Duke University attended Harvard Law School and Columbia School of Business. He joined R. S. Dickson & Co. in 1935 and was elected President in January, 1954.

Elected Directors

William A. Titus of Wertheim & Co. and Fred W. Wilson of Lazard Freres & Co. have been elected to the Board of Directors of Kelley Island Company, Cleveland, the company announced.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange: John W. Dickson, Chicago, Illinois, and John V. Maloney, Taylor & Company, Chicago, Illinois.

Forms United Equities

BROOKLYN, N. Y. — Leo Weiner is engaging in a securities business from offices at 135 Keap Street under the firm name of United Equities Company.

R. R. Gridley Opens

WELLSVILLE, N. Y.—Robert R. Gridley is engaging in a securities business from offices at 99½ North Main Street.

Form Investus Company

Elmer A. Rogers and Hugo E. Rogers have formed the Investus Company with offices at 42 Broadway, New York City to engage in a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has slowed down somewhat as far as volume and activity is concerned, but considering the time of the year, it is still doing a pretty good job. The slightly lessened activity has brought with it a thin market, and more than a little bit of professionalism. This means that quotations are being moved around within a relatively narrow range because business at times is on the restricted side.

The money market as a whole appears to be working out a pattern which certain money market specialists believe will continue for quite some time. It is held by this group that short-term rates are now approaching levels from which further rises are likely to be important. On the other hand, long-term rates are expected to stay about where they are now because a long-term issue for new money raising purposes would tend to keep outstanding securities from moving away very much from recently established trading areas.

Expect Long-Term Issue in October

The money market appears to be giving more attention to the impending money raising operation now that the debt ceiling has been raised. Although the $6 billion increase in the debt limit is only temporary and will expire at the end of June, 1955, the Treasury at this time does have some elbow room so that funds can be raised to take care of the deficit.

It is this new money borrowing, which is expected sometime in October, that money market specialists are talking more about, because it is believed in certain quarters that a long-term obligation will be used by the Treasury in this operation. To be sure, there has nearly always been the feeling around that a long-term bond would be used to raise money for the government, whenever the Treasury was coming into the market for such purposes. However, there has been nothing in the way of a distant government obligation since the 3¼s of 1978/83 came into the market in the middle of 1953.

The Treasury could have used a long-term obligation on several occasions in the past to raise new money, but due to the economic situation it was evidently decided not to make an offering of a distant government security. The economy needed some bolstering and the Treasury resorted to short or intermediate-term issues in raising new money to take care of the deficit. By offering obligations that appealed mainly to the commercial banks, the Treasury was able to keep purchasing power on a fairly even keel and thus help the economy, because the sale of government securities to these banks created deposits, which are purchasing power.

Economy Favorable to Long Issue

The business pattern appears to be on the favorable side and some believe it should continue to improve as the year goes on. This brings up the question as to whether or not the Treasury should sell long-term bonds for new money raising this fall, instead of short and intermediate term ones. If the economy does not need too much more "nudging," and some hold that it does not, then a long-term government bond would seem to fit very well into the situation at this time. There is plenty of money around and it would be available for just such an obligation because there are a great many non-bank investors that would welcome a long-term Treasury obligation.

Such an offering, if it should come along, is not expected to be more than a token one, probably in the neighborhood of $1,000,000,000 to $1,500,000,000. A not too large issue of long-term Treasury bonds should also have a good effect upon the government market, because it would tend to temper the decrease which has been going on in yields of the most distant maturities. By giving some new supply to the longer end of the list, there would be less of a rush to buy the older outstanding issues. Thus, prices of the more distant government maturities would most likely be kept within the limits which the monetary authorities have more or less marked out as being favorable for the market as a whole.

Short Rate Nearing Peak

The short-term rate has been edging up, but is probably not far away from the level which some money market specialists believe will be the upper limit for the time being. There is still a very big demand for the near-term government issues, and with the digestion of the tax anticipation certificates going along very well, rates for the shortest-term Treasuries should tend to stabilize now.

The intermediate-term obligations, led by the 2⅛s of 1960, continue to be fairly active, with a considerable number of switches still being made among these securities.

U. S. Trade Liberalization Key to Sterling Convertibility

By PAUL EINZIG

Commenting on the expected attendance of Britain's Chancellor of the Exchequer at the meetings of the World Bank and the International Monetary Fund in September, Dr. Einzig states it is not anticipated he will then make a decision regarding sterling convertibility. Says there will be no convertibility unless and until there is a far reaching liberalization of the trade policy of the United States.

LONDON, Eng.—For the first time since he became Chancellor of the Exchequer in 1951, Mr. Butler will be able to attend the annual meeting of the International Monetary Fund and the International Bank in September. His decision to attend in person created a widespread anticipation of some major decision regarding convertibility, to be announced at the meeting. Speculation to that effect is, however, entirely without foundation. While the meeting will provide Mr. Butler with an opportunity to exchange views with Mr. Humphrey and other Government representatives on the subject of convertibility, no major decision is expected to arise from these conversations. For one thing, the report of the Committee set up by the Organization of European Economic Cooperation to study the subject, as it relates to the European Payments Union, is not due to report until November. What is much more important, the preliminary conditions of convertibility which Mr. Butler considers indispensable do not exist.

Dr. Paul Einzig

It is true, the gold position is better than it was expected to be a few months ago. The inflow of gold in July, enabling Britain to repay £35 million to the E.P.U. without having to reduce the Sterling Area gold reserve to any noteworthy extent, was particularly gratifying. But the amount of the gold reserve — just over $3,000 million—is still considered far from sufficient for the purpose of facing convertibility. Conceivably the I.M.F. meeting in September may bring convertibility a step nearer by providing dollar facilities to meet an initial pressure. But this alone would not induce Mr. Butler to risk convertibility.

There will be no convertibility unless and until there is a far-reaching liberalization of the trade policy of the United States. Substantial tariff reductions and a mitigation of the Buy American Act are the indispensable preliminary conditions of restoring convertibility. This has become unmistakably clear as a result of the decision reached at the recent London meeting of O.E.E.C. Finance Ministers to the effect that convertibility must not be accompanied by a tightening of import restrictions. Although the decision concerns the countries of Western Europe only, negotiations will be initiated through GATT to apply the principle to the entire free world.

The significance of the adoption of this principle has not been adequately appreciated by public opinion. It means that Mr. Butler has burnt his boats. Hitherto it was widely assumed that convertibility, when adopted, will be maintained, if necessary, with the aid of additional import restrictions. That powerful defensive weapon is now being abandoned. Freedom of exchanges will not be secured at the cost of curtailing the freedom of foreign trade.

This means, however, that the risk attached to restoring convertibility will be even bigger. Mr. Butler will not be able to defend sterling with the aid of cutting imports. In order to ensure that in spite of this the convertibility of sterling should be maintained he needs additional safeguards. Such safeguards can not be provided by stand-by dollar facilities, however substantial. In the long run the maintenance of convertibility depends not on such facilities but on the trade balance between the Sterling Area and the Dollar Area. And that trade balance depends on the willingness of the United States Congress to implement the recommendations of the Randall Report to liberalize trade. Up to now Congress showed very little willingness to make any substantial concessions in that direction.

Hitherto the British Government tactfully refrained from making it clear in public statement that its convertibility decision depends on the attitude of the United States towards liberalization of trade. On various occasions tariff reduction by the United States is mentioned as one of the means by which convertibility could be facilitated. But the time will soon arrive for plain speaking in the mutual interests of the two nations. Once arrangements for the stand-by dollar facilities to assist convertibility are agreed upon, it will become crystal-clear that the final step could not be taken without American trade liberalization. At that stage plain speaking will become necessary, in the interest of friendly relations between the United States and Britain.

American opinion is understandably keen on the removal of the discrimination represented by the continued inconvertibility of sterling. Should sterling remain inconvertible in spite of the arrangement of dollar facilities, it is liable to cause resentment in the United States, unless it is made clear that such facilities in themselves are not sufficient to ensure convertibility. Britain cannot rely on being able to defend the pound with the aid of borrowing more dollars. The only adequate method of defending it is by being enabled to earn more dollars.

The stand-by credits are of course useful and even indispensable as safeguards against speculative attacks on sterling. But is much more important to deprive speculators of an opportunity for attacking sterling. Such opportunity would be provided by a deficit in the balance of payments between the Sterling and Dollar Areas. The existence of any such deficit would justify distrust and would encourage large-scale withdrawals of foreign balances. What is even more important, in the absence of import restrictions in Britain and the Commonwealth countries, foreign countries wanting dollars would dump their goods into the Sterling Area in order to secure dollars through converting the sterling proceeds of their sales. The only way of avoiding this would be by making dollars less scarce. To that end it would not be sufficient to make unilateral trade concessions to Britain and the Sterling Area. It would be equally important to enable other countries, too, to export more to the United States, so that they should be able to earn enough dollars without having to secure dollars at Britain's expense through forcing exports on the Sterling Area.

Quite conceivably American opinion would take the line that the advantages of sterling convertibility would be outweighed by the disadvantages of having to admit more foreign goods. This is of course entirely for the American people to judge. It would be inappropriate for any foreign government spokesman to try to influence American opinion on this matter. But it is legitimate to make it quite plain that the advantages of convertibility could only be secured at the cost of an increased willingness to import foreign goods.

It seems probable that, in order to create a favorable atmosphere for the consideration of concessions respecting tariff and the Buy American Act, Britain will make some unilateral concessions to the United States in the near future, in the form of mitigating some dollar import cuts imposed in former years in the interest of defending sterling. Should the American response to this gesture be favorable, a return to convertibility sometime in 1955 would be a practical possibility. Otherwise there could be no question of convertibility in the foreseeable future.

NYSE Library Moves To New Quarters

The library of the New York Stock Exchange opened temporary quarters at 37 Wall Street (Room 2108) on Monday, Aug. 23. Another department of the Exchange will occupy the library's previous quarters at 11 Wall Street.

The move was made necessary because of the scheduled demolition, around the end of this year, of 20 and 24 Broad Street, two buildings which adjoin 11 Wall Street. The buildings will be torn down to make way for a new 27-story building.

The facilities of the library, which include a large selection of financial reference books and historical works, are open to the public. The library also has available for inspection copies of various corporation reports which are required by the Securities Exchange Act of 1934.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Carl G. Mueller has become affiliated with Hornblower & Weeks, 134 South La Salle Street. Mr. Mueller was previously with Apgar, Daniels & Co.

With Mid-Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — Edison L. King is now connected with Mid-Continent Securities, Inc.

Burke & Co. Offering Trican Oil Shares

Burke & Co. of New York City is offering as a speculation 500,000 shares of Trican Petro-Chemical Corp. common stock at an initial price of 65 cents per share. The offering price is subject to change and will be equal to the last sale or bid, whichever is lower, for the stock of the company on the Canadian Stock Exchange at the time of the offering of the shares.

Net proceeds from the sale of the stock will be applied by the company toward the cost of drilling on its properties. The balance of the proceeds will be added to the company's general fund to be used for other corporate purposes.

Trican Petro-Chemical Corp., with its principal office in Montreal, Canada, is engaged primarily in producing heavy oil and drilling for oil, in the general vicinity of Bonnyville in the Province of Alberta, Canada. The corporation also owns part of an oil and natural gas permit and some scattered leases in the Province of Saskatchewan, and intends to conduct certain surveys and do some exploratory work on some of these properties.

Authorized capitalization of the company consists of 5,000,000 shares of $1 par value common stock, of which 3,300,005 shares are issued and outstanding.

With Piper Jaffray

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — William S. MacFadden, Jr. has joined the staff of Piper, Jaffray & Hopwood, 115 South Seventh Street.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — James J. Doyle has been added to the staff of State Bond & Mortgage Co., 28 North Minnesota Street.

Three With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Walter R. Alberts, Jack R. King and Richard C. Nelson have become affiliated with Smith, La Hue & Co., Pioneer Building.

Continued from first page

New Light on the Railroads

something worthwhile. Being keenly aware that the prevalent negative attitude of the investors and businessmen toward the railroads is based on outdated and no longer valid information, a group of 22 railroad suppliers organized the Committee of Railroad Suppliers. This Committee is conducting a compaign to broaden public understanding of the railroads, and to help accelerate the change from the currently negative attitude to a positive one toward railroad investments that is now taking place in the business community.

The motivating force behind the Committee and its backers was, of course, a sense of highly enlightened self-interest. If the investors' and the businessmen's faith could be restored in the railroads—if they could be won over to the point of view that railroad management is a modern, efficient one, one that is constantly striving to make the railroad a good investment — then the railroads would have the money to buy the equipment they should buy, and would buy.

The Committee realized that the existing railroad organizations have long been engaged in a program of airing their problems before general and specific public. These organizations have done and are doing a vital job splendidly—that of exposing the regulations and the restrictive conditions under which they are forced to operate, and the fact that a majority of these regulations and restrictions were imposed at a time when the railroads were a monopoly, when railroads were the only "big business" in the country.

The Committe of Railroad Suppliers' basic assumption is—and facts substantiate that assumption —that railroads have an amazing story of achievement to tell in spite of the overwhelming restrictions and regulations; that railroads are not lost in the jungle of problems business and financial experts have become accustomed to hearing about. The Committee also feels that if enough industrial and commercial leaders learn about the positive aspects of railroading, they—to serve their own interests as much as those of the railroads—would support railroad management in its efforts to gain reasonable freedom to manage.

The Committee, therefore, has turned the spotlight of public attention on railroad progress, which is unequalled by any other single industry in the country. The progress that has taken place —especially since the end of World War II — amounts to a veritable revolution.

That all the fundamental advances and technological improvements took place in face of mounting competition and restricted freedom to meet that competition, is nothing short of miraculous.

A Miraculous Railroad Improvement

To understand this revolution, and to properly appraise the railroads as an increasingly good investment, it is as imperative that the nature of that revolution be understood, as is the understanding of the true conditions under which railroad management wrought this revolution.

Since the end of World War II, railroads have invested $49 billion in this revolution — this necessary job of reconstruction. Never has an industry been so carefully, so thoroughly redesigned from inside out. By 1948, more than one-fifth of all the money then being spent by all United States industry on improvement was being spent by the railroads. In the past nine years they have spent $39 billion on maintenance alone, and another $10 billion on modernization of facilities.

The true scope of this achievement is evident when it is realized that aside from equipment trusts, which make possible many otherwise impossible purchases, most of this money has come and is coming out of earnings; and that railroads are so regulated that their net return on capital investment averages only 3½%. Of this, 69% is plowed back into improvements and modernization. No other industry uses this much of its profits to strengthen the equity of its owners.

It is difficult for the railroads to raise additional capital the usual way. They cannot prudently increase their borrowing any further since they are already saddled with a $10 billion debt load. And since so high a percentage of their meager earnings is plowed back into further improvement, they have very little left over for good dividend payments with which to attract new investors. (The average dividend rate of the Class I railroads in 1953 was 4.8% on the capital stock actually outstanding, only the fourth time since 1931 that this figure has been up to or over 4%.)

So, in a way, they are caught in a vicious circle: they must increase the efficiency of their operations constantly in order to increase their earnings, so that they'll have more money to plow back into needed additional improvements with which to increase efficiency . . . etc. . . . In the midst of this they have managed to reduce the fixed charges on their indebtedness by 27% since 1939.

To properly appraise the course of future developments, a close look at some of these developments and how they came about is in order.

Dieselization

The most dramatic, and perhaps the basis of the railroad renaissance is the Diesel Locomotive. The first Diesel went to work in 1925 as a switcher. For almost 10 years Diesels worked away without attracting much attention, until in 1934 the passenger Diesel made its bow. It wasn't till 1941 when Diesels started hauling freight. But once these locomotives went into heavy duty service, railroad management promptly recognized their many remarkable advantages: high fuel efficiency, virtually no time lost for repair or servicing, high power for starting, and the many other things that translate into more freight handled more quickly.

Many economists say that the railroad industry's heavy investment in Diesel engines during the postwar years has been largely responsible for their ability to keep their costs in control, to restore operating ratios to more reasonable levels, and to live successfully within a highly restrictive rate level which has advanced much more slowly than the general price levels.

The Diesel, in a sense, has been the banker to the railroad industry by enabling them to reduce expenses, increase efficiency and thus increase profits which, in turn, make more available for further improvements.

With the increased utilization of the Diesel came a corresponding increase in the average speed of freight trains between terminals and in the average freight train load. Freight train speeds increased from 15.7 miles in 1945 to 19.2 miles in 1953 (these figures include all road stops and delays). The average freight train load also increased, from 1,129 tons in 1945 to 1,301 in 1953. The 1953 figure established a new record, previously set in 1950 with 1,300 tons, and comes to 149 tons more than the average for the 1945-1950 five-year period.

The combined effect of higher speed and heavier train load is expressed best in terms of net-ton-miles produced per train hour. This figure stood at a mere 14,028 in 1940, increased to 17,482 in 1945 and reached 23,443 in 1953. Since the 1953 figure is slightly more than double the average for the 1931-1940 decade, the implications are that over the years the railroads improved 100% in the efficiency of their road freight train operations.

Dieselization of the industry has gone ahead at a good clip, and at the end of 1953 it was virtually complete, with close to 24,000 units in operation. By the end of 1953 Diesels were handling 80.1% of the railroads' gross freight-ton-miles, 82.4% of the passenger car miles, and 87% of all yard-hours of switching.

From a strictly financial point of view, too, the Diesel proved to be of great benefit to railroad management. The completion of full dieselization, and the liquidation of the equipment trust debt floated to make it possible, will free sizable financial opportunities within the next few years to round out the overall modernization program. The debt will be paid off in something between one-half and three-fifths of the life of the equipment, releasing earnings for further improvements and dividends.

Greater opportunity to put money to work in other phases of modernization will thus develop at an accelerated pace.

The direction of this modernization is already evident. The Diesel with its greater power, faster speeds and heavier payloads, literally forces new developments on the roads.

Other Physical Improvements

Improvements along the right-of-way, heavier rails, smoother roadbeds and improved right-of-way maintenance, are only a part of the necessary improvement program. Railroads realize that more than 50% of their operating expenses are incurred in the yards, and almost half of the life of the average car is absorbed there. It is clear to them that yard operations must be improved, and speeded up to keep pace with the faster over-the-track service the Diesels provide. Yard improvements are thus taking place as rapidly as funds become available.

One of the most promising developments among those designed to cut down yard expenses is the automatic "push-button" retarder yard, which does away with practically all of the manual operations connected with making up a train.

When a classification yard is equipped with this automatic retarding system, one man at a central control panel can direct the entire yard operation. Just by pushing one button, he controls the speed of the freight car as it comes off the hump, and directs it to the right track at just the proper impact speed. Trains can be made up in these automatic classification yards in a matter of hours, where previously it frequently took over 24 hours.

Train identification and control of traffic over the open track have also been speeded up. The coded track, for instance, plays an important role in this program. This principle is utilized for a very important task — signalling. This is the principle: when a weak electrical current flowing through the rails is interrupted, the interruption sets up a series of impulses coded to different, predetermined frequencies. The different frequency impulses are also the heart of the modern automatic block system and the modern interlocking system.

The coded track idea is also the basis for the train self-identification mechanism .An inert coil on the train in passing activates a track installation, which responds by sending out a coded impulse of the same frequency to which the train coil is tuned.

This principle is now being developed to the point where in addition to just identification, these coded track signals will line up proper switches for the train's movement into terminals, and perform many other functions in connection with the arrival of the train.

Out of this automatic block system, in turn, was developed a system of centralized traffic control, whereby one dispatcher at one central point can control all train movements over hundreds of miles of tracks. He sits at a control board which shows the position of the various trains by light indicators, and he can set signals, throw switches, and arrange the track properly for the meeting and passing of trains . . . all by means of the coded track signals.

Perhaps one of the most dramatic examples of terminal modernization is the automatic entrance-exit system, used by many roads to handle the movements of trains through an interlocking signal rapidly. The operator at the centrally located control board pushes a button to indicate where he wants the train to enter, then another button to indicate where he wants the train to leave. All the intervening switches are then automatically lined up. If the most direct route between the two points indicated is not available, the instrument will select an alternate route, throwing switches, arranging signals, all automatically.

The rapid movement of trains on the open track, the speeded up terminal operations, the improved signalling, etc., have brought with them a great need for improving and adapting to the present competitive requirements the cars that ride behind the Diesel.

While improvements along these lines have been many, actual applications of them are slow, mainly because the funds becoming available are invested in more urgent developments — ones that could save anywhere from 30-50% on specific operations — like motive power, centralized traffic control, automation of terminals and yards, etcetera.

Increasing Rail Dividend Payments

The savings these innovations bring about are reflected not only in additional money becoming available for further improvements, but also in the railroads' ability to pay increasingly large dividends. With exception of only two years—1946 and 1949—dividend payments of railroads have increased every year since 1938.

Cash dividends paid by Class I railroads in 1953 totaled $382 million, against $338 million in 1952. As the results of capital improvements make themselves felt, and as the annual maturities on equipment trust obligations decline below present levels, the outlook for increased earnings and dividends will be brighter yet.

The Committee of Railroad Suppliers held a luncheon earlier this summer, where some of the outstanding achievements of the railroads, as well as the difficulties in the face of which they were accomplished were explained by Mr. Ben Fairless, Chairman of the Board of U. S. Steel, to some of the country's top business executives, financial analysts, and bankers.

In the course of his speech Mr. Fairless said that "The record of railway achievement stands as an everlasting tribute to the efficiency—to the genius—of modern railway management. And it also stands as an enduring testimonial to the magnificent job of technical research which has been performed by the railroads and their suppliers."

Mr. Fairless pointed out, however, that in spite of these achievements, railroads still have their difficulties, both financial and regulatory. "America's railroads," he said, "are being taxed to death, bargained to death, and regulated to death. They are caught in a kind of three-way squeeze."

The Taxation and Other Squeezes

To illustrate the kind of taxation to which the railroads are being subjected, he cited the case of a large industrial eastern state which has a good many important railroads running through it.

"All of these roads," he pointed out, "do not earn enough money on their operations within the boundaries of that state to pay the taxes which are levied upon them there. They must bring in money they have earned in other states to pay their taxes.

"When any industry in this land of ours is subjected to this kind of governmental greed, then every industry — and every economic group among our people—should rise up and protest with all the vigor at their command; because they, in the end, are the ones who suffer most."

About the bargaining squeeze, Mr. Fairless said that some of the unions are forcing into their contracts a number of make-work rules and featherbedding practices which compel the "inefficient and wasteful use of unnecessary labor."

He called upon these unions to end these practices by saying that "If the railroads were free to spend on improved service and new equipment, the money which they are forced to throw away on featherbedding, there is no doubt in my mind that many thousands of new jobs would be opened up throughout our entire economy—in the steel industry, in the plants of the other railway suppliers and also on the railroads themselves.

"So it seems to me that the time has come when the responsible and enlightened leaders of railway labor ought to face the facts, and correct intelligently the unwise and uneconomic provisions that have been written into their contracts."

He next touched upon what he called "the antiquated, prehistoric concept of Federal and State regulations under which the railroads are compelled, by law, to operate, and which seem to be especially designed to block railway progress at every turn."

He reviewed briefly the history of these regulations, and said that a century ago, when railroads truly had a monopoly in the transportation field, many of these regulations were justified.

"But that was a whole century ago," he said, "and today they are no longer a monopoly. Yet, if the railroads wish to reduce their rates in certain areas, in order to meet their competition, they must gain the approval of one or more government agencies, and by the time the case has dragged on to a final decision, the business has been lost anyway.

"When they have to seek a general rate increase," he continued, "it has taken an average of just about one year to get final action from the regulatory bodies involved; and since the war, these delays have cost the railroads approximately $1 billion in lost revenue."

He summed up his talk by asserting his belief that of all the freedoms that have made this country great, the freedom to compete is the most important economically.

"It is precisely that freedom which has been denied to the rail-

roads of this nation for the past two-thirds of a century.

"I believe," Mr. Fairless asserted, "that government regulation has its place . . . that the proper function of government regulation is to protect the public interest. And I believe that the best way to protect the public interest is to promote competition, not to prevent it!

"I do not believe . . . that government regulation of the railroads means government management of the railroads—I do not believe that a modern system of transportation . . . can be developed successfully under the horse-and-buggy concepts of 19th century controls."

These then are some of the problems railroads face today—and what they have accomplished in spite of these problems is something of which they can be justly proud.

As stated in the booklet, "A Look Beyond the Station," published by the Committee of Railroad Suppliers, railroad managements have worked miracles—but greater ones are still to come. They will come under any circumstances, but they could come a lot faster if the shackles were loosed.

New Tax Law Incentives Termed Illusory

J. Henry Landman, tax attorney, holding the new tax law in several respects defective, says the "business incentives provided in the Act are illusory and deceptive."

J. Henry Landman, a New York tax attorney, on Aug. 20th told a meeting of the American Management Association, at which Under Secretary of the Treasury Marion F. Folsom explained the provisions of the recently enacted tax law, that though there were a great many tax inequities removed by the legislation, the measure fails to provide adequate incentives to increase taxable income or to promote recovery from an economic recession.


J. Henry Landman

The new tax law provides business incentives but they are illusory and deceptive, Mr. Landman stated. "Soil conservation expenditures since 1946 and research costs since 1952 have been deducted currently against operating profits. Their mere inclusion in the new tax law will not help lift our country out of the recession when they have not averted its onset."

Mr. Landman added that "the declining balance or other rapid methods of taking depreciation on new plant and equipment cannot have a natural salutory economic effect. Taxpayers engaged in nonmanufacturing would not directly benefit by it. Those who do might profit thereby, but they would need some new capital therefor. The banks and the public at this time would not provide the necessary supplemental financing. Then, too, the heavy long-life plant and equipment of 30 years or more in contrast with the short-lived equipment are actually not benefited enough in annual dollar deductions to make the declining balance more attractive than the conventional straight-line method.

"Yet it is the costly long-lived plant and equipment which are more apt to restore the unemployed to the payrolls and stimulate national prosperity. Besides, declining balance users must conjure with the adverse possibilities of higher tax rates and more deflation in the future.

"Hence the number of men put to work in their construction will be more than offset by the number that automation will displace. Moreover, the output of these machines will in turn tend to flood the market with commodities which the ever-growing army of unemployed will be unable to consume. Our country suffers from overproduction at this time.

"Our best market is our domestic one. A wide adoption of declining balance is bound to aggravate our current unemployment problem. While automation is inevitable, it is not wise to precipitate its wide use at a time when our country is urgently seeking to induce rapid economic recovery.

"The new tax law also offers an eight instead of the present seven year span for absorbing an operating loss. Few enterprises can survive a deficit the operating loss of which could not be absorbed in two or three profitable ones. Besides, it is axiomatic that the only way to effect an economic upfift is to make profits and not to encourage losses.

"Lastly, this law offers the elimination in part of the double tax on dividend income, once as corporate and again as individual incomes when received as dividends. Mitigation of the double tax on dividends is preferential class legislation. About 8% of American families own public corporate stock, and 6 1/10% of American families own 80% of all publicly held stock.

"This class needs no further inducement to invest in American enterprises. There never was and there is not now an investors' strike. To encourage greater public investment in equity securities, let us make them more secure. Furthermore, if it is wrong to tax dividends because they are taxed twice then logically it would be wrong to tax all earnings, and we must become singletaxers."

Mr. Landman concluded his statement by saying, "When incentive is dwarfed and consumer purhasing power is curtailed by taxation the law of diminishing returns sets in for national prosperity and in turn Government revenue. This has already happened to us.

"Let us revive our incentive to make profits. They will create more employment for workers. The whole populace will thus yield more tax revenue. The new tax law will not do so.

"Let us offer all taxpayers, whether they be individuals, partnerships or corporations in all types of businesses, whether or not they require plant and equipment, a progressive tax rate cut on their current earnings and profits, exclusive of capital gains, in excess of their own moving averages of earnings and profits for the last four years.

"In addition, since our domestic market is our major one, let us reduce tax rates and give the public more purchasing power, besides the few incidental personal minimal tax benefits offered in the new law."

With Stern, Frank Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herman W. Weintraub is affiliated with Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York Stock Exchange.

Carrol V. Geran

Carroll V. Geran, limited partner of Manley, Bennett & Co., and a member of the New York Stock Exchange, passed away on Aug. 16.

Public Utility Securities

By OWEN ELY

Florida Power & Light Company

Florida Power & Light has enjoyed a growth record which is perhaps unequalled among other electric utility companies: Kwh. sales have increased in every year since 1933. The management is convinced that population and industry in Florida will continue to grow, and hence is planning to install substantial new generating capacity over the next few years.

Share earnings increased from $1.92 in 1949 to $3.41 in the 12 months ended June 30, 1954, the latter figure being 51 cents higher than in the previous 12 months. Some of the gain over last year is due to the gradual disappearance of excess profits taxes which last year were equivalent to 43 cents a share. Earnings for the 12 months ended April 30 (amounting to $3.34) were after special charges such as amortization of utility plant acquisition adjustments approximately 19 cents a share, and 33 cents a share to increase the storm damage reserve (which at the end of April amounted to $4,838,000).

Despite the company's rapid growth, it was one of the few utilities which (until recently) had done no equity financing since emerging from holding company control in February, 1950. On July 1 the company sold 245,000 shares of common stock, which were retailed to the public at 47 by the underwriting syndicate. The offering was reported well received and the stock subsequently sold up to 49¾.

The company's dividend policy has been very conservative, the current payout being about 53% of share earnings (before dilution for the new issue). Management policy is to pay out about 7% of the book value of the common stock. At the end of 1953 this was $23.39, but it would currently be higher as the result of the recent sale of new stock netting the company nearly $46 a share. This policy has been consistent in that total dividends paid per share have increased each year since 1946, as indicated in the table below. Judging from the recent trend of earnings, it appears likely that another increase in the dividend rate may be anticipated some time next year.

Pro forma capitalization based on the balance sheet of April 30, 1954, but adjusted for the recent sale of 245,000 shares of common stock, is approximately as follows:

Funded debt	$111,000,000	52%
Preferred stock	31,000,000	15
Common stock (2,695,000 shares)	69,000,000	33
	$211,000,000	100%

Florida Power & Light supplies electric service in most of the territory along the east coast of Florida (except for the Jacksonville section and five other municipalities which have municipal electric systems); also in the farm area around southern and eastern Lake Okeechobee, the lower west coast area, and portions of central and north central Florida.

Electric service is supplied in 447 communities, the more important being Miami, Miami Beach, West Palm Beach, Fort Lauderdale and Daytona Beach. In the 12 months ended April, about 48% of the company's electric revenues were derived from residential service, 39% from commercial service, 8% from industrial service (an unusually low proportion) and 5% from government and municipal service and from other utilities. In this period the company generated 99% of its energy input.

Gas service is supplied in Miami, Daytona Beach, Lakeland and Palatka and to a few customers in Holly Hill. About 60% of the company's gas service revenues are derived from residential service, 36% from commercial service, and 4% from industrial, government and municipal service. All gas sold through mains by the company is manufactured in the company's plants, except at Palatka where butane is purchased and mixed for distribution.

The electric rate schedules for residential and small commercial customers contain a valuable "Fuel and Commodity Adjustment" clause, through which the basic rate can be adjusted according to a formula using the price of oil and the wholesale price index of "Commodities other than Farm Products." Fuel adjustment clauses are also included in electric rates for large commercial, industrial and water pumping customers, and in gas rates.

The tourist trade is the principal business activity in the east coast area served. The peak demand occurs in the period January to March; but the summer demand is growing with the broadening out of the tourist business. Vegetables and citrus fruits and cattle raising, together with phosphates and an increasing amount of light manufacturing, are the principal business activities.

		Common Stock Record		
Year—	Revenues	Earnings	Dividends	Range
1953	$70,000,000	$3.07	$1.60	39⅜ - 31¾
1952	61,000,000	2.84	1.45	34⅞ - 25¼
1951	55,000,000	2.50	1.40	26⅜ - 21
1950	46,000,000	2.43	1.25	22½ - 17⅛
1949	40,000,000	2.17	1.20	20¼ - 19
1948	39,000,000	2.08	1.12	---- ----
1947	29,000,000	1.47	1.01	---- ----
1946	26,000,000	2.30	0.80	---- ----

Joins Benj. Currier

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Graham N. Shaw has become affiliated with Benj. W. Currier, 70 State Street.

With Boren & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Irwin Charles has become affiliated with Boren & Co., 9235 Beverly Boulevard. Mr. Charles was formerly with King Merritt & Co., Inc.

Joins F I F Staff

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Richard M. McLaughlin and A. W. Silverman are with F I F Management Corporation, Humble Building.

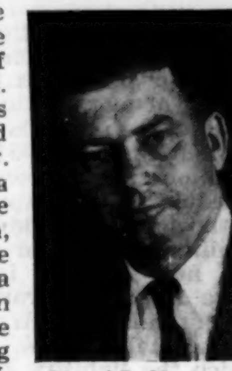
Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank Davis Johnson has become affiliated with Blyth & Co., Inc., 75 Federal Street.

G. L. Ohrstrom & Co. Admits Two Partners

The investment firm of G. L. Ohrstrom & Co., 40 Wall Street, New York City, announced the admission of Ricard R. Ohrstrom as a general partner in the firm and the admission of Richard R. Harshman as a limited partner. Mr. Ohrstrom, a son of George L. Ohrstrom, founder of the firm, was a Lieutenant in the Marine Corps during World War II. Following the war he was with the legal division of the Internal Revenue Department, Washington, D. C., for several years and with W. C. Norris Manufacturer, Inc., and Palmer Electric Manufacturing Company, Tulsa, Okla. He is a graduate of Princeton University and the University of Virginia law school. Mr. Harshman heretofore was with the Leach Corporation, Los Angeles, Cal. He is a graduate of Harvard College and the Harvard Graduate School of Business Administration.


Ricard R. Ohrstrom

Joins Howard, Weil Firm

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—F. Allen Roussel is with Howard, Weil, Labouisse, Friedrichs & Company, 222 Carondelet Street, members of the New Orleans and Midwest Stock Exchanges.

With Clayton Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred A. Johnson has become associated with Clayton Securities Corporation, 79 Milk Street, members of the Midwest Stock Exchange. In the past Mr. Johnson was with Kendall G. Hathaway & Co., and Minot, Kendall & Co.

Halsey, Stuart Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—A. W. Letzeisen has been added to the staff of Halsey, Stuart & Co., Inc., 10 Post Office Square.

Gordon W. Abbott

Gordon W. Abbott, limited partner in Abbott, Proctor & Paine, New York City, passed away on Aug. 17.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gaston C. Majeune and Henry S. Ryan have joined Investors Planning Corporation of New England Inc., 68 Devonshire Street. Mr. Majeune was previously with Tellier & Company.

Continued from page 3

Philosophy of the New Tax Bill

year 1955. However, the bill also extends for one year the 52% corporate rate which cuts the net loss in 1955 to less than $200 million.

In addition, the bill reduces the Treasury's debt management problem by providing for a further gradual acceleration over a five-year period in the tax payments of corporations with tax liabilities in excess of $100,000. Although less than 5% of the corporations are subject to the new schedule, they account for 85% of the total corporate income tax liability. When the transition to the new system is completed, these large corporations will be paying half of their taxes in the second half of the year during which the liability arises and the balance during the first half of the following year. This will reduce materially the excessive concentration of the Federal Government's receipts during the first six months of the calendar year.

The chief purposes of the revision were to (1) remove inequities, (2) reduce restraints on economic growth and the creation of jobs, (3) close loopholes, and (4) clarify the law. I want to illustrate how each of these purposes has been achieved in the new Code.

(A) The Removal of Inequities

Our efforts to remove inequities have brought fairer treatment and reduced hardship for millions of taxpayers.

Parents need no longer be on guard lest a child be disqualified as a dependent because his vacation or part-time earnings exceed $600. The new law waives this income test where the dependent is the taxpayer's child under the age of 19, or is a student.

A widow or widower who must maintain a home for dependent children will not be deprived abruptly of the benefits of income splitting because of the death of the other spouse. Instead, the tax return of the survivor will, for a period of two years, continue to be treated as though it were the joint return of husband and wife and, therefore, eligible for the full benefits of income splitting.

Widows, widowers, and working wives in low income families will be permitted to deduct expenses, incurred while at work, for child care. Widows and widowers may deduct amounts paid up to a maximum of $600 a year for the care of children under 12 or any incapacitated person. In the case of working wives, the deduction is reduced by the amount by which the combined incomes of the husband and wife exceed $4,500.

Taxpayers with heavy medical, dental or hospital bills will receive more generous treatment. The excess of such expenses over three rather than 5% of the taxpayer's income will be deductible, and the maximum deduction allowed is doubled.

Restrictions on the deductibility of charitable contributions have been eased. In addition to the 20% of the taxpayer's income allowed under the previous law, an extra 10% is allowed for contributions to hospitals, churches, or educational institutions.

Discrepancies between the tax treatment of social security benefits and other forms of retirement income have been reduced. Retired persons receiving income from pensions, annuities, interest, rents, or dividends will be entitled to a 20% credit against tax on as much as $1,200 of such income. This will exempt many elderly retired persons of modest means from the income tax. The credit is reduced for the amount of social security benefits and other exempt forms of retirement income in order to prevent duplication of exemptions and equalize the tax treatment of various types of benefits.

Under the old law, taxpayers were denied deductions for the interest included in carrying charges on installment purchases unless the interest element was separately stated. The new law specifically permits the deduction as interest of a portion of the carrying charges, up to 6% of the unpaid balance.

The new law makes it clear that premiums paid by employers for health and accident plans are not to be taxed as income of the employee.

Under prior law, sickness and accident benefits financed by the employer were exempt if paid under an insured plan but were taxed if provided under a noninsured plan. Under the new law, benefits paid under both types of plans will receive the same treatment. Thus, reimbursements for medical expenses and for permanent injury are excluded from income. Sickness benefits paid in lieu of wages are exempt up to $100 a week.

The new law eliminates inequities in the treatment of annuities which existed under the 1939 Code. The purchaser of an annuity will be allowed a uniform annual exclusion sufficient to permit him to recover his entire capital tax free over the period of his life expectancy.

Farmers are given the option to deduct the costs of soil and water conservation as a current expense up to 25% of their gross income. Under the old law these costs generally had to be capitalized and could be recovered for tax purposes only upon sale of the land. This change will be of direct benefit to farmers and will benefit all of us indirectly by encouraging sound conservation practices.

These measures are illustrative of the relief given individual income taxpayers under the new legislation. Substantial assistance has been provided in unusual hardships cases at a relatively modest cost. A great deal has been done to make the law more certain.

Moreover, the taxpayer has been given an additional 30 days in which to file his return; about a million people have been relieved of the responsibility of filing declarations of estimated tax; for those who must still file this return, the rules have been made more reasonable and the penalties, when imposed, less complicated and severe.

(B) The Removal of Deterrents to Business Expansion

The second objective of our work was the reduction of tax deterrents to the expansion of investment in private business. This expansion is necessary for the production of better goods at lower prices and the creation of more and better jobs. A number of the provisions in the new law are focused on this objective. The most important of these is a new and more realistic treatment of depreciation.

Depreciation: The provision in the 1939 Code relating to depreciation was brief and general. It merely provided "a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) (1) of property used in a trade or business or (2) of property held for the production of income." The specific rules governing allowable deductions and procedures were left to regulations and administrative practice. While various methods of apportioning the cost of the property over its service life were permitted, limitations imposed upon alternate methods resulted in the general use of the straight-line formula. This system, which spreads the cost evenly over the asset's life, is simple, but the deductions which it allows are frequently at odds with the actual facts. For instance, as everyone knows, a large portion of the value of a new automobile disappears during the first year or two of its life.

The failure of tax deductions under the straight-line formula to keep pace with true depreciation was discouraging to plant modernization and economic progress, particularly when the investment was of a long-range character and involved a considerable business risk. The unrealistically slow write-off also aggravated the problem of financing expansion.

The new Code will give taxpayers much greater latitude in the selection of methods of depreciation and allow a more rapid write-off of the tax basis of the property.

The taxpayer will be permitted to compute depreciation under the declining-balance method at twice the straight-line rate. This will conform the allowable deductions more closely to true depreciation since about two-thirds of the cost will be written off during the first half of the asset's life, as compared with only one-half under the straight-line formula.

While discussions concerning the new provisions have tended to concentrate upon this declining-balance formula, specific provision has also been made for the use of the sum-of-the-year's-digits method which in some respects is more liberal than the 200% declining-balance formula. Moreover, any other consistent method will be acceptable so long as it does not produce larger deductions than those allowable under the 200% declining-balance formula during the first two-thirds of the service life of the asset. Systems of depreciation which were proper under the 1939 Code are specifically recognized under the new law.

A taxpayer who elects the 200% declining-balance method is given the option to switch to straight-line depreciation at any time during the life of the property. This will assure recovery of the full cost over the service life of the asset, a result which would not always be obtained under the declining-balance method. Hence, this option removes a possible impediment to the adoption of the declining-balance formula.

Double Taxation of Dividends: The new law provides a degree of relief from double taxation of corporate dividends. This double taxation is a major injustice, a penalty on equity financing, and a serious obstacle to business expansion.

We depend on risk capital for the development of new enterprises and the growth of old ones. Large sums are needed to create new jobs. It is estimated that the average cost of providing one job is well over $10,000. Double taxation of dividends makes it difficult to attract the risk capital necessary to create these jobs. It also encourages corporations to finance themselves by bonded indebtedness, because interest can be deducted for tax purposes. In recent years over three-quarters of the outside financing of industry has taken the form of bonded indebtedness. This makes the economy more vulnerable in periods of business unsettlement.

Under the new Code each stockholder will be permitted to exclude from his gross income up to $50 of dividends and will be allowed a credit against tax equal to 4% of the dividends in excess of the exclusion. The amount of the credit is limited to 2% of the stockholder's total taxable income in 1954 and to 4% in later years.

The new law is a partial restoration of the treatment accorded dividends prior to 1936. When the first income tax law was enacted in 1913, a normal tax was imposed on individuals at the rate of 1%. In addition, a tax was imposed on corporations at the rate of 1%. At that time, dividends were completely free of the normal tax in the hands of the individual because, as the Committee reports on that Act state, the corporation was merely the collecting agent for the shareholder, and the income should be taxed only once. This principle continued to be recognized in the income tax law until 1936 with dividends being exempt from the normal tax but subject to surtax.

In 1936, in the confusion attending the enactment of the undistributed profits tax, the exemption of dividends from the normal tax on individuals was abolished.

Our new law restores the historical concept of avoiding double taxation by adjusting the tax of the individual dividend recipient, but the amount of the relief is comparatively modest. It is by no means the equivalent of the pre-1936 normal tax exemption and is much smaller than either the 20% credit allowed under the Federal income tax law in Canada or the adjustment made under the British law.

Our new provisions are, nevertheless, a significant step in the right direction. The $50 exclusion is a particularly important feature because it will give small taxpayers a proportionately greater incentive to invest in equity securities. It is extremely important for the growth and stability of the nation that equity funds be more readily available to new and growing businesses and that the ownership of corporate enterprise be spread even more widely among all our citizens.

Research and Experimental Expenditures: The 1939 Code made no specific provision for the research and experimental expenditures which are so vital to the growth and increasing efficiency of American business. As a practical matter, large businesses with regular research and experimental budgets have been able to deduct most of these expenses currently. However, in the case of many small businesses, unable to afford a regular budget for research, doubt has existed concerning the deductibility of such expenditures. Moreover, when they were capitalized, there was no assurance that they could be amortized over a definite period or that an abandonment loss could be established. The new Code gives all taxpayers the option to deduct such expenses currently or to capitalize them and write them off over a period of not less than five years.

Carryback of Operating Losses: The new Code will be fairer and less burdensome to businesses with irregular and fluctuating earnings. The period for the carryback of losses is extended from one to two years, thus providing, in combination with the 5-year carry forward, a total span of eight years for absorbing a loss. The additional carryback increases the possibility of immediate relief through tax refunds when business is losing money and needs the relief most.

The new law also eliminates the requirement that the loss carryover be decreased by an adjustment for the intercompany dividend credit, the excess of percentage over cost depletion, and tax-exempt interest. These changes cut down substantially the tax disadvantages of businesses with uneven earnings, which are apt to be the unusually risky enterprises that are of such critical importance to the development of the economy.

Tax on Unreasonable Accumulation of Surplus: The changes in the tax on the unreasonable accumulation of surplus will also contribute to the expansion of the economy. Under the old law, the application of the tax was uncertain, and its impact, when imposed, extremely harsh. If the Government believed that the retained earnings of a corporation were excessive, the taxpayer was required to demonstrate that this was not the case. The necessary evidence was not always easy to assemble even when the retention served a legitimate business purpose, particularly because the taxpayer had to show that there was an immediate and specific use for the retained earnings. The tax was therefore greatly feared especially by small business and tended to impede and distort investment programs.

The continuance of this tax is necessary in order to prevent the use of the corporation for avoiding the surtax on individual shareholders. However, under the new Code the taxpayer, by supplying information, can shift to the government the burden of proof as to reasonableness. Instead of having to show an immediate and specific need for the retained earnings, the taxpayer will be required to show that the retained earnings are necessary to meet "reasonably anticipated" business requirements. An accumulation of $60,000 can be made without threat of penalty; and the tax, when imposed, will apply only to the portion of the retained earnings found to be unreasonable.

By liberalizing the law and clarifying the taxpayer's position, these changes will eliminate the disturbing influence which the penalty tax has had upon dividend and investment policies.

The new depreciation rules, the dividends-received credit and its accompanying exclusion, and other important revisions have removed or reduced serious obstacles to new investment. The Nation will follow with keen interest the way business avails itself of this opportunity to modernize and expand its plant and equipment.

(C) Loopholes

Our third objective was to close loopholes. This involves repairing more than 50 provisions in the old law which enabled taxpayers to avoid their share of the burden by taking advantage of technicalities.

Preferred Stock Bail-Out: For example, taxpayers were able to use a device commonly known as the "preferred stock bail-out" to siphon off large accumulated earnings from a corporation at capital gains rates. This was done by having the corporation issue to common stockholders a nontaxable dividend of preferred stock which was later redeemed. The revised Code taxes as ordinary income the proceeds of the sale or redemption of preferred stock acquired in such transactions.

Purchase of a Loss Corporation: The new Code will also curb the trafficking in net operating loss carryovers. Under the old law it was frequently possible for a successful business to reduce its tax liability by purchasing a corporation which had lost money. The new law eliminates the carryover when more than 50% of the stock of the loss corporation is purchased by new owners within a two-year period and the loss corporation thereafter does not continue in the same business.

Collapsible Corporations and Partnerships: The old law curbed the use of so-called collapsible corporations which were liquidated in a manner that at one time restricted the tax liability to a capital gains tax on the shareholders. The new law makes these curbs more rigorous, and also imposes restrictions on collapsible partnerships which had been overlooked under the earlier law.

Sickness Benefits: At th individual income tax level, sickness benefits or continuance of salary payments during periods of illness were previously exempt

without limit if paid under an insured type of plan. This was especially advantageous for some taxpayers in the higher income brackets. The new law prevents abuse by limiting the exemption of salary continuance benefits to $100 a week. At the same time the law is made fairer by extending this limited exemption to all salary continuance benefits whether or not paid under an insured plan.

Proceeds of Life Insurance Paid in Installments: Another means of avoidance under the old law was to arrange to have life insurance proceeds paid in installments after the death of the insured. The old law exempted not only the life insurance proceeds but also the interest earned after the death of the insured. This enabled beneficiaries of large amounts of insurance to receive substantial interest incomes tax free. The new law requires that the interest earned after the death of the insured on life insurance proceeds paid in installments be subject to tax with the exception of $1,000 a year paid to a surviving spouse. Of course, life insurance proceeds themselves continue to be exempt.

Exemption of Multiple Employee Death Benefits: The provision of the old law which exempted $5,000 of death benefits paid by an employer to beneficiaries of a deceased employee had also been used to avoid tax. The $5,000 limit applied to payments by any one employer. Some persons employed by several corporations arranged for each employer to pay a $5,000 death benefit, thus providing the beneficiary with exempt benefits many times $5,000. The new law closes this loophole by allowing only one $5,000 exemption for each employee.

These are examples of the way the tax revision bill prevents businesses and individuals from avoiding their share of the tax burden. These loophole closing provisions will save revenue, make the tax system fairer, and eliminate economic distortion which had been due to arrangements adopted merely for purposes of tax avoidance.

Clarification

A fourth objective was the clarification of the tax law. For years taxpayers have been pleading that the law be made clear and simple so as to lighten the burden of compliance and reduce the amount of paperwork.

In the revision, the provisions of the law have been arranged in a more logical order, obsolete material has been deleted, and the language has been made more certain and understandable. In some important areas where the taxpayer had previously been forced to rely upon court decisions and administrative rulings, clear statutory guidance has been provided. We have tried to reduce to a minimum the situations in which heavy reliance is placed on the judgment of the internal revenue agent.

Clarification was one of the principal objectives of the work done with respect to corporate reorganizations, recapitalizations, and distributions. A new set of simple, clear and internally consistent rules has been developed. It is anticipated that they will make it possible for the businessman to know with reasonable certainty, and in advance, the tax consequences of alternative courses of action. So far as possible, unnecessary tax barriers to desirable business practices have been removed. The tax-free rearrangement of stockholders' interests will be permitted so long as earnings are not withdrawn from the corporation. We believe, therefore, that this portion of the new law will also reduce materially the distorting effect of tax considerations upon sound business policy.

Clarification was also one of the primary objectives of the extensive revision of the law dealing with the tax treatment of estates and trusts. Some of the most troublesome portions of the old law have been eliminated, and a very simple set of rules has been introduced which will govern the treatment of the vast majority of trusts.

The new provisions dealing with partners and partnership transactions are other outstanding examples of clarification. On such matters the old statute was wholly inadequate. Most of the important issues depended upon a confusing accumulation of case law and administrative rulings. Taxpayers found it difficult to determine the consequences of many everyday transactions such as the transfer of assets into and out of a partnership, sales of partnership interests, and non-cash distributions to partners. The new Code contains a rational and reasonably flexible set of rules which will not only clarify the principal tax problems in this area but also minimize the disturbing effects of tax considerations upon business done in the partnership form.

In the clarification of the law the income tax provisions have been brought into closer conformity with generally accepted accounting principles. The differences between tax and business accounting which existed under the old law were irritating and sometimes required businessmen to keep more than one set of books. These differences related chiefly to the timing of the receipt of income and the deduction of expenses. Under the new law each item of income or expense will be counted only once, but the timing will accord with generally accepted accounting principles.

Balancing of Objectives

These were the principal objectives we sought to achieve by tax revision, within the limitation on the loss of revenue to which I have already alluded.

No doubt we have not been able to achieve all our primary objectives to the extent that some taxpayers desired. One fact which emerged clearly from our work is that objectives frequently conflict with one another. For instance, clarity is not always consonant with simplicity or brevity, and at many points our efforts to make the new law clear and easy to work with have necessarily resulted in more detailed provisions than those contained in the 1939 Code.

Simplicity and fairness are also sometimes incompatible. Those who seek simplicity frequently raise other problems which defy simple solutions.

Our work with the pension, profit-sharing and stock bonus provisions illustrates this type of conflict. The regulations under the old law had been subject to widespread criticism as being over-complicated, restrictive, and uncertain. There were many complaints that taxpayers had to wait a long time for individual rulings from the Internal Revenue Service to know whether their particular plans qualified.

To meet these criticisms and after consultation with many experts outside the government, the House bill sought to spell out certain clear-cut rules which would enable taxpayers to determine whether particular plans qualified without submitting them to Internal Revenue for approval. Ambiguity was to be removed, leaving no doubt as to which plans were acceptable.

No sooner were the proposed simple rules made public than criticisms began to come in. Many found the new provisions too inflexible and questioned whether it was possible to prescribe mechanical rules which would cover adequately the wide variety of plans in use. Some maintained that these provisions discriminated against small firms and disqualified plans which could qualify under the old law. Others felt that the new rules were too lax and would permit the qualification of discriminatory plans.

In this instance, Congress abandoned the new provisions, and returned to the basic outlines of the old law. Simplification was deferred pending further study.

The Task Before Us

There are other areas where much work remains to be done. As you know, some important sections of the old law, including some widely criticized provisions, were carried over into the new Code largely unchanged. This is true of most of the excise provisions.

Moreover, some income tax provisions which would have been changed under the House bill were restored to their old form in the Senate. The time available was too short for working out several problems which devloped after the bill had the benefit of public scrutiny.

This, for example, was the fate of most of the proposed changes in the tax treatment of income obtained from foreign sources. The House bill contained a substantial group of proposals following the President's recommendations and designed to encourage United States investment abroad. Among them was a 14-point reduction in the tax on income from production abroad.

Critics of these proposals made a strong plea to the Senate Committe on Finance for further liberalization. However, no agreement could be reached by those concerned with respect to the types of income which were to be taxed at the reduced rate. As a result, this provision, together with certain allied proposals, was stricken from the bill. Since the basic problem remained unsolved at the time the bill was in conference, most of the proposed changes in the treatment of foreign income do not appear in the new law, the principal exceptions being the elimination of the over-all limit on the foreign tax credit and the extension of the credit to shareholders of regulated investment companies specializing in foreign securities. The taxation of foreign income, therefore, requires further study.

The President's proposals also included the elimination over a 3-year period of the penalty taxes on intercorporate dividends and consolidated returns. However, the action taken in the final bill was confined to the lowering of the affiliation requirements to an 80% of stock ownership test and the elimination of the 2% tax on consolidated returns in the case of regulated public utilities.

Finally, a number of important areas were deliberately reserved for further study. In his Budget Message, the President specifically placed in this category the treatment of capital gains and losses, the problems of the oil and mining industries, the tax treatment of cooperatives and tax-exempt organizations, and the retirement income of people not covered by pension plans. These important subjects were reserved for future legislation.

We know that the job of tax revision is not complete. In a growing and changing economy it is necessarily a continuing task. However, as the President said when he signed the bill, this law "is the excellent result of cooperative efforts by the Congress and the Department of the Treasury to give our tax code its first complete revision in 75 years. It is a good law. It will benefit all Americans."

We believe also that it can make a major contribution to America's increasing strength and prosperity.

For many years businessmen and others have urged removal of tax restraints. We believe that this bill goes far in that direction. The tax system, however, cannot itself provide the growth. Much will depend upon the response of businessmen and investors to this improvement in our economic climate.

Over One-Third of Record High State Debt Due to Highways

Study by Tax Foundation reveals the $3 billion aggregate debt of the States for highways at end of fiscal year 1953 is double the debt for veterans' bonuses and triple debt incurred for education.

Total debt in the 48 states reached a record $7.5 billion in 1953 and well over a third of it was for highways, including toll roads, it is reported by the Tax Foundation.

The $3 billion debt for highways was nearly double the $1.6 billion of debt for veterans' bonuses and triple the $900 million debt for education, according to a study entitled *Constitutional Debt Control in the States.*

State debt is currently at an all-time high after a decline during World War II to a low of $2.3 billion in 1946. In the same period (1946 to 1953) local debt increased from $13.6 billion to an estimated $26 billion.

"Governments traditionally borrow for one or more of three basic purposes: for construction of public improvements, to get funds in anticipation of revenues, and for expenditures arising from emergencies," said the Foundation, a private, non-profit research organiation.

Long-Term Needs

Of these, the most common is debt for public improvements, since major highway improvements, school construction, irrigation projects and others frequently call for expenditure of large amounts that cannot easily be met from current revenue.

Emergency borrowing has been concentrated in recent years in the issuance of bonds for paying bonuses or "adjusted compensation" to veterans of the armed forces, the study reported.

The 40-page study, which shows how constitutional debt limitations in the states tend to keep debt and expenditures down, included the following table:

Total Outstanding Long-Term State Debt, by Function Fiscal Year 1953

Function—	Amount (Thousands)	% Distrib.
Total	$7,504,488	100.0
Highways	3,032,970	40.4
State Toll Facilities	1,387,135	18.5
Other	1,645,835	21.9
Veterans' Bonuses	1,581,168	21.1
Education	908,750	12.1
State Institutions of Higher Learning	408,859	5.4
Other	499,891	6.7
Housing & Community Redevelopment	281,500	3.8
Non-Highway Transp'n	247,180	3.3
Health and Hospitals	168,163	2.2
Public Safety	15,736	.2
Public Welfare	4,568	.1
Other	1,264,453	16.8

With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Leonard B. Schneider is now with Daniel D. Weston, 1191 North Bundy Drive.

Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

(LOS ANGELES, Calif.—Harry M. Green is now connected with California Investors, 3924 Wilshire Boulevard.

Now With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard H. Rue has become affiliated with J. A. Hogle & Co., 507 West Sixth Street. He was formerly with H. Hentz & Co. and A. W. Morris & Co.

July Construction Sets A New High Record

F. W. Dodge Corporation reports construction contracts in 37 states east of the Rockies up 2% over July, 1953 and 6% above June of 1954. No downward turn in construction activity in sight.

Construction activity in the months ahead will continue at high levels, the F. W. Dodge Corporation announced in making available its July and seven-month totals of Dodge Reports of contracts for future construction.

Thomas S. Holden

The July total of $1,836,935,000 of contracts in the 37 states east of the Rockies set a new July high in Dodge's long history in construction news and marketing; up 2% over July, 1953 and 6% above June of 1954.

"The narrow lead margin of last month over July, 1953 was not surprising, considering the fact that July of last year had an unusually large contract volume," commented Thomas S. Holden, Vice-Chairman of Dodge.

"In fact," Mr. Holden said, "the margin of lead over last year may diminish further in the coming months, since the last half of 1953 showed the highest contract volume of any half-year period yet recorded; it was even larger than the record-breaking first half of 1954.

"There does not yet appear to be any abatement of demand for these classes of building and engineering projects which have dominated this year's contract record," Mr. Holden noted.

Also, an all-time new high for the first seven months of any year was broken with a total of $11,088,084,000, up 14% above the first seven months of 1953, and also above the previous seven-month high set in 1951 which included $980 million in Atomic Energy Commission projects alone.

Dodge pointed out that the monthly average total for the first seven months was $1,584,000,000, and that the final five months need average only $1,271,000,000 to tie last year's all-time 12-month high. The contracts that Dodge reports this summer indicate that families living on construction income likely will be pouring out enormous amounts of money into the stores for Christmas purchases in December.

Seven-month categories compared with the same period 1953 were: non-residential, $4,049,522,000, up 9%; residential, $4,726,131,000, up 21%; heavy engineering $2,312,431,000, up 12%.

July categories were: non-residential, $641,513,000, down 2% from June and 16% below July, 1953; residential, $745,440,000, up 3% over June and 14% above July, 1953; heavy engineering, $449,982,000, up 26% over June and 20% above July, 1953.

Oscar Kraft Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frederick T. Livermore is now connected with Oscar F. Kraft & Co., 530 West Sixth Street. He was previously with Milton C. Powell Co.

Continued from first page

As We See It

expenditures down. For that the Administration and such Democratic stalwarts as Senator Byrd are to be given credit. The limit has by no means been reached, and there must be no relaxation of effort to push ahead with this movement. Although experience will be required before it is possible to know precisely all the consequences of the new and exceedingly comprehensive tax law, there seems to be little room for doubt that it is a real achievement. Of course, there is room for further achievement which would, among other things, embody a drastically altered philosophy of taxation, and there must be no rest until this end is attained.

Electric Power Policy

Apparently the Administration has definitely adopted a general philosophy about electric power and the steady encroachment of politics in this field. A small beginning seems to have been made in the now much publicized case of the AEC and the TVA. It is not more than a very small beginning, however, and the future must bring further steps in breaking away from current "creeping socialism." After a long and courageous struggle, the President at length succeeded in persuading Congress to take at least one step away from a farm program which was as costly as it was absurd. Here again, it is not more than one step. It must be followed by others.

Broadly similar descriptions of the labors of the Administration could be made in a number of other cases. What is now needed is a full and careful appraisal, leading to a mandate from the people for continued constructive work of this sort. The President appears to wish such a conduct of the coming campaign. The question is will he get it. We can only hope so.

But there are other parts of the record of the Administration which should have a most thorough airing, and about which, we believe, the verdict should be of a different sort. It is here, too, that we see the least hope that the voter will do what it seems to us it is imperative that he do. We have already said that the Administration is to be commended for the progress that it has made in trimming government outlays. But even while taking constructive action of this sort it has undertaken much larger outlays for what is known as social security. It has pushed through Congress a measure which not merely gives added millions the privilege of calling on the government for partial support in their old age, but which makes it compulsory that they enter the so-called social security system whether or not they prefer to look after their own needs. It is fostering the myth that somehow these beneficiaries are turning over to the government funds for their benefit which are in some strange way "salted down" for future use.

Debt Management

Likewise, the Administration has winced and relented and refrained in the matter of getting the astronomical national debt into more manageable form. It still makes occasional pious reference to some such goal, but nothing of any great consequence is being done, and nothing seems to be in prospect. It has made a good deal of the "independence" of the Federal Reserve System—or did so long as the policy of greater reason in the matter of money rates and the like was in favor. It is now more disposed to boast of the policy of "active ease" which was instituted in the spring of last year and has been in force ever since —as though the Administration, if the Federal Reserve System is completely "independent," could claim any credit for it. Let us not deceive ourselves. The policy of excessive ease in the money market is as much an Administration policy as any other.

It is almost inconceivable that such Administration measures as are embodied in public debt management or Federal Reserve policy will be an issue in the campaigns now getting under way. Thanks to the influence of the New Deal, and indeed to the trend of thought throughout the world, there is hardly a corporal's guard among the politicians in this country disposed even in non-political years to oppose the type of "give-away" involved in social security. This much was clear enough when the matter came up for action in Congress. This sort of thing really needs to be thoroughly threshed out dispassionately and realistically—but we may be sure that it will not be this year. Much the same is to be said of the policy of "active credit ease" by the Federal Reserve authorities. The Republican party will "point with pride"—and so would the Democratic party if it had the opportunity.

Hasty Action

Also to the discredit of the politicians and to the detriment of the public are certain other recent developmeants which have an ominous augury for the campaign. One of them, of course, is the effort of the Chairman of the Democratic National Committee to cut into the popularity of the President with slurs on his character. Another is the indecent haste with which Democrats and Republicans alike rushed in the closing days of Congress to "outlaw" communism — as if more could be accomplished in this way than to lay a basis for spurious claims of great energy in combating communism. It may be, it probably is, true that the forthcoming campaign will be no worse than many that have preceded it, but it begins to appear that it will not be be much better, either.

Continued from page 7

The Near-Term Business Outlook

summarized in my opening paragraphs, will be analyzed.

Federal Expenditures

The problem presented by government expenditures during the past year was a change from an increase in **budget expenditures** of $8.9 billion in the fiscal year 1953 to a decrease of $6.7 billion in fiscal 1954. By fiscal years, expenditures have been: 1952, $65.4 billion; 1953, $74.3 billion; 1954, $67.6 billion. A further decrease to $65.6 billion was planned for 1955 by the President. Congress will authorize almost this amount because on June 26, 1954, a report of the Joint House-Senate Conference Committee appropriated for the Army, Navy and Air Force just about $1.0 billion less than the President had asked for. It will be less difficult for the economy to adjust to a further decline of about $2.0 billion in government spending during the next 12 months than it has been during the past 12 to adjust to a decline of $6.7 billion after four years of constantly increasing expenditures. From $33.1 billion in 1948, Federal budget expenditures rose steadily to $74.3 billion in fiscal 1953.

A **second** basic consideration in Federal finance is the size of **the deficit.** Here the difference between fiscal 1955 and fiscal 1954 is the difference between a continuation at about the same level and a sharp change in direction. The budget deficit of nearly $9.5 billion in fiscal 1953 was reduced to $3.0 billion in 1954. About the same is planned for 1955.

A **third** way in which Federal finance affects the economy is the manner in which expenditures are made. The National City Bank Letter points out that, "as part of the program to bring outstanding obligations under control, defense authorities held the issuing of **new contracts** in this fiscal year far below the levels authorized by the budget. . . . Some increase in ordering will be necessary in the future just to maintain current levels of output. National security expenditures in the first quarter were running well below the level budgeted for fiscal 1954, and even somewhat lower than the rate scheduled in the budget for fiscal 1955." Thus, although planned budget expenditures might be lower for the next 12 months than for the past 12, the low point in government **orders** might already be passed, and it is **orders** which business feels most acutely.

Finally, the spending of $67.6 billion has many other effects on the economy which are not revealed in the totals. As an example, the government renewed its stockpiling of lead and zinc. When the new program was announced late in March, some 35 to 40 metals and minerals were involved. The economic outlook in the mountain mining states was improved and the government action was hailed by members of Congress from those areas.

Business Spending for Plant and Equipment

Only slight declines in these expenditures are forecast for the remainder of the year. The Department of Commerce and the Securities Exchange Commission survey of plans for business outlays on plant and equipment taken in May indicates that through October of this year an annual rate of expenditures of just over $27 billion will be maintained. This would be $1¼ billion or 4.5% less than 1953 spending for similar purposes. A McGraw-Hill survey in early June estimated equipment expenditures for 1954 at 4% under 1953. This survey is especially interesting because of its inclusion of estimates for 1955 to 1957. Preliminary indications are that 1955 to 1957 expenditures will be within $2 billion of the high 1950 to 1953 average. The report says, "The average amount of capital spending now planned for 1955-1957 is just about half way between industry's maximum and minimum estimates, with a little more room for increase than for decrease."

These surveys have proved reasonably accurate in the past. Errors have tended toward the low side and have been greater for more distant than for nearer dates. One may feel reasonably confident, therefore, that no substantial drop from present levels of activity may be expected during 1954. Present business plans, while indicating a slight drop in investment in productive equipment, are encouragingly optimistic for the next three years.

Construction

The Departments of Commerce and Labor estimated in the latter part of June that construction expenditures this year will reach a record of $36 billion or 2% above the previous high set in 1953. The industry seems to be gathering strength because late in 1953 the two agencies forecast 1954 construction expenditures at only $34 billion. The increase in the estimate is based largely upon the very high level of new home building.

With business expenditures for plant and equipment together with construction showing strength for the remainder of 1954, no substantial change from present levels of general business activity can be expected. Major changes are always associated with changes in these industries.

Inventories

The transition through which the economy has been passing is commonly referred to as an "inventory adjustment." The evidence is not clear and opinions are not unanimous that this adjustment is complete. The decline in inventories has persisted from September through May although the rate of decline from April to May was the lowest for eight months.

Opinions regarding the inventory situation vary. Among the optimistic views is that of the **1954 Commodity Year Book** published last month by the Commodity Research Bureau. This source forecasts a buying scramble in the fall.

The **Business Advisory Council** to the Secretary of Commerce, late in June, expressed a consensus that the excessive inventories that have plagued industry since midsummer have been worked off.

The June survey of the **National Association of Purchasing Agents** found that, "Buying policy is still in a conservative short range. It runs from the hand-to-mouth type to 60-day commitments. A few industrial buyers have gone on to cover needs from 30 to 90 days."

Reflecting current business attitudes toward inventory policy, the New York "Times" column, **The Merchant's Point of View,** on July 4, 1954, said, "... what manufacturers object to, however, is the hand-to-mouth buying that some retailers have adopted as merchandising policy. . . . They have expressed exasperation at receiving . . . orders (for) quarter-dozen lots of items generally bought in multiple dozens, and at the narrow range of colors and sizes in apparel items."

The **National City Bank** in its June Letter takes a less optimistic view. In this opinion, ". . . it would not be safe to assume that inventory reduction as a whole is ended. Neither manufacturers nor distributors as yet have succeeded in cutting finished goods stocks appreciably. . . . In most business cycles there is a period in which inventories are still going down at the same time that production is stable or rising. Evidently we are in such a period at this time."

Inventory statistics published by the United States Department of Commerce suggest that the inventory problem is largely centered in manufacturers of durable goods and might continue for several months. The decline in total business inventories from September, 1953 to April, 1954 amounted to $2,387 million. Manufacturers' inventories alone declined by $1,795 million, of which $1,519 million was in the inventories of manufacturers of durable goods. Further, most of the decline in manufacturers' inventories was in purchased materials. During the same months, the finished goods

I

Changes in Business Inventories, September 1953 to April 1954 (seasonally adjusted)

	(million dollars)		
	Total	Durable Goods Industries	Non durable Goods Industries
All Business	—2,387	—2,546	+259
Manufacturers	—1,795	—1,519	—276
Wholesale trade	— 354	— 514	+260
Retail trade	— 238	— 513	+275

Changes in Manufacturers' Inventories, September 1953 to April 1954

Purchased materials, decreased	$1,490,000,000
Goods in process, decreased	242,000,000
Finished goods, **increased**	565,000,000

component of manufacturers' inventories increased by more than a half billion dollars. This may indicate that there are still finished inventories which need to be worked off.

Wholesale and retail inventories have also decreased in durable goods trades but have increased in non-durable trades since last September. A summary of inventory changes is given in table I.

The concentration of the inventory problem in the industries manufacturing durable goods is further illustrated by the relation of **inventories to sales.** In this group of industries, inventories were nearly 2.2 times sales in April this year as contrasted with 1.8 times sales in April last year. In industries manufacturing non-durable goods and in wholesaling and retailing, inventory-to-sales ratios were about the same in April this year and last.

The relation of manufacturers' **inventories to new orders** shows a similar difference between durable and non-durable goods industries. Last year, inventories of durable goods manufacturers were about twice as large as new orders received in April, whereas this year they were nearly two and one-half times as large. Inventories of non-durable goods manufacturers bore exactly the same relation to new orders in April in both years. If the increase in manufacturers' new orders which began in January continues, inventory positions should improve. The possibility that larger government orders might be forthcoming is an important factor.

A final influence on inventory policy is the backlog of unfilled orders. These have been declining for 12 months. From April, 1953 to April, 1954, the decline has amounted to 31% in durable goods industries and to 28% in non-durable goods. Unfilled orders in April, 1954 suggested less work in sight than they did a year ago. In the durable goods industries, in April, 1953, unfilled orders were about five times sales during the same month, whereas, in April, 1954, unfilled orders were only four times the month's sales. In non-durable goods industries, unfilled orders in April, 1953 were 27% of the month's sales and in April, 1954, 18%.

Automobiles

The general pattern of consumer spending has been an overall decline which has come to an end; a shift to increased expenditures on services; a decrease in the purchases of durable good; and stability in the purchase of non-durable goods. Nearly three-quarters of the total decline in consumer expenditures has been in automobiles. A substantial increase in the sale of new cars would give a lift to manufacturing industries and would assist in the improvement of the inventory positions of many manufacturers. But the outlook is not bright. The best that can be said at present is that, as a whole, 1954 will be better than the more pessimistic forecasts indicated.

Until the end of May, new car sales this year were about 8% below those of 1953. An upsurge in sales to 20,000 units during the first 10 days of June brought sales to the highest for the first 10 days of the last 11 months. Ward's Automotive Reports now estimates that new car sales will total 530,000 for June and 2.7 million for the first half of 1954. This would be about 9% below the first half of 1953. With the second-half year sales 10 to 15% below the first half, a five million car year would still be possible. That would be a good year. However, new car stocks are at an all-time high, and a cutback in production would have adverse effects on many industries and aggravate unemployment. Thus, this important industry may continue to exert a depressing effect on the economy.

Continued from page 4

The State of Trade and Industry

Steel Operations Scheduled at 62.7% of Capacity This Week

Don't let the lackadaisical rate of steel production lead you to believe that "things are bad all over," "Steel," the weekly magazine of metalworking warns.

There are some notable exceptions among steel consumers. One, for insance, is oil and gas well drillers, it states. All this year they have stood out as consistently good buyers of steel, and it looks like they will continue that way through the rest of 1954.

Reflecting the high rate of activity among oil and gas well drillers are mill shipments of oil country goods in the first half of this year. Of all finished steel shipped by mills in that period, 3.7% was oil country goods, compared with 2.4% in the first half of last year. However, notes "Steel," oil and gas well drilling is not the only steel consumer that is fully employed. Another, and large one, is construction.

Giving promise of bolstering the demand for steel is the automobile industry. If it starts its production of new models at as fast a pace as it hopes to it will be coming into the market for steel for delivery beginning in October, this trade paper observes.

A slightly increased manufacturing level for farm equipment is noted in the Mid-west. This should strengthen demand particularly for hot-rolled and cold-finished steel bars. Low requirements of farm equipment producers during the last two months helped put many bar mills on reduced work schedules.

The government program of shipbuilding also promises to add some strength to steel demand. A moderate increase in shipyard buying of hull plates is expected after October, states this trade weekly.

Right now total demand for steel is sufficient to keep only two-thirds of the country's steel producing capacity busy. In fact, steel ingot output shrank fractionally in each of the last two weeks. In the week ended Aug. 22 national output was at 63% of capacity, a decline of 1 point from the preceding week, it reports.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 62.7% of capacity for the week beginning Aug. 23, 1954, equivalent to 1,496,000 tons of ingots and steel for castings as against 1,474,000 tons and 61.8% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 64.2% and production 1,532,000 tons. A year ago the actual weekly production was placed at 2,106,000 tons or 93.4%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Car Loadings Reflect Improvement the Past Week

Loadings of revenue freight for the week ended Aug. 14, 1954, increased 17,685 cars or 2.6% above the preceding week, according to the Association of American Railroads.

Loadings totaled 685,277 cars, a decrease of 122,345 cars or 15.1% below the corresponding 1953 week, and a decrease of 120,479 cars or 15% below the corresponding week in 1952.

Electric Output Sets New All-Time High Record In Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 21, 1954, was estimated at 9,207,000,000 kwh., according to the Edison Electric Institute.

This represented an all-time high record and compared with the previous high of 9,139,000,000 kwh. reached in the week ended July 31, 1954.

The current figure represents an increase of 211,000,000 kwh. from the preceding week and an increase of 775,000,000 kwh., or 9.2% over the comparable 1953 week and 1,489,000,000 kwh. over the like week in 1952.

U. S. Auto Output Rose Slightly Above Lowest Volume of Year Recorded in Previous Week

The automobile industry for the latest week, ended Aug. 20, 1954, according to "Ward's Automotive Reports," assembled an estimated 98,500 cars, compared with 100,180 (revised) in the previous week. The past week's production total of cars and trucks amounted to 116,508 units, a moderate rise above the preceding week's output of 116,190 units, states "Ward's." In the like week of 1953 130,493 units were turned out.

Last week saw output rise slightly above the lowest level of the year, set in the previous week.

Last week, the agency reported there were 18,008 trucks made in this country, as against 16,010 (revised) in the previous week and 25,229 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 4,470 cars and 616 trucks last week, against 2,553 cars and 462 trucks in the preceding week and 6,165 cars and 1,748 trucks in the comparable 1953 week.

Business Failures Continue Upward in Latest Week and Exceed Those of Like 1953 Week

Commercial and industrial failures edged up to 246 in the week ended Aug. 19 from 233 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were considerably higher than the 122 which occurred in the comparable week a year ago and the 154 in 1952, but were 28% below the prewar level of 253 in 1939.

Among failures with liabilities of $5,000 or more, there was an increase to 213 from 185 in the previous week and 110 in the similar week of last year. In small casualties, those with liabilities under $5,000, there was a dip to 33 in the week from 48, but mortality remained above the 1953 total of 12. Twenty-six of the failing businesses had liabilities in excess of $100,000, as compared with 14 in the previous week.

Wholesale Food Price Index Establishes New Low Since Feb. 2, Last

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $7.07 on Aug. 17, from $7.10 the week before, marking a new low since Feb. 2 when it stood at $7.01. The drop was largely influenced by sharp declines in coffee and cocoa, the former falling about 10 cents a pound in the week. The current index compares with $6.67 on the corresponding date a year ago, or a rise of 6.0%.

Higher in wholesale cost the past week were wheat, corn, rye, oats, barley, hams, bellies, lard, cottonseed oil, eggs, currants, hogs and lambs. Lower in price were flour, sugar, coffee, cocoa and rice.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index, Led by Wheat, Attains Highest Level in Period of About Three Months

Continuing its upward trend, the Dun & Bradstreet daily wholesale commodity price index reached the highest level in almost three months the past week. The index closed at 274.18 on Aug. 17, as against 272.59 a week earlier, and 281.82 on the corresponding date last year.

Grain prices moved generally upward in the week with wheat leading the advance.

The official crop estimates by the United States and Canadian Governments indicating production well below last year were the main supporting factors in the bread cereal. Hot, dry weather during July also reduced corn crop prospects The August forecast of the Department of Agriculture placed this year's yield at 2,824,000,000 bushels, or well below the July estimate and the actual outturn of a year ago. Some buying of the yellow cereal was based on increasing sales of corn for export in recent weeks. Trading in grain and soybean futures on the Chicago Board of Trade two weeks ago averaged 56,600,000 bushels per day, against 52,100,000 in the preceding week, and 68,400,000 a year ago.

Roaster demand for coffee was light. The market was very irregular and unsettled with prices trending sharply lower in the latter part of the period, following the relaxation by Brazil of its foreign exchange restrictions at the week-end. Trading in the domestic raw sugar market was quiet with prices holding fairly steady. The refined market was dull with purchasing confined to immediate needs. Lard finished slightly higher than a week ago. Hog values, following a weak start, developed a firmer trend aided by higher wholesale dressed pork prices. Steers were steady and lambs were up sharply for the week.

Cotton prices moved erratically over a wide range the past week and closed slightly higher than a week ago. There was considerable weakness shown at times as the result of hedge selling and profit-taking and the larger than expected official crop production estimate issued early the week previous. Strength at mid-week was attributed to trade price-fixing combined with scant offerings.

Despite continued dryness in the belt, the crop was reported making generally satisfactory progress in most areas.

Mill interest was quite active for cotton for both prompt and deferred delivery but prices bid by mills were generally too low to attract more than a limited volume of offerings. Reported sales in the 14 spot markets amounted to 110,700 bales last week, as compared with 77,500 the week before.

Trade Volume Generally Higher for Week and Comparable to Like Period in 1953

Although there were declines in the buying of automobiles and some other items, retail sales in the period ended on Wednesday of last week were generally higher than the preceding week and compared favorably with those of a year ago, according to Dun & Bradstreet, Inc. The total dollar volume of retail trade was estimated to be 1% below to 3% above that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Midwest —3 to +1; Southwest and East —2 to +2; Northwest and Pacific Coast —1 to +3; New England +2 to +6 and South +3 to +7.

Birmingham, Miami, and San Francisco reported the largest gains in retail sales, while Detroit, Seattle, Pittsburgh, and Washington, D. C. registered sizable declines.

Retailers in the coming months generally face the happy prospect of comparing figures of what appears to be an expanding 1954 retail market with those of a declining economy in the latter half of 1953. Generally higher year-to-year retail figures are anticipated for the remainder of the year in New England, the South and parts of the East. Retail sales on the Pacific Coast are expected to remain about even with those of last year, while the Midwest will probably have a moderate decline.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Aug. 14, 1954 advanced 1% from the level of the preceding week. In the previous week, Aug. 7, 1954, no change was reported from that of the similar week in 1953. For the four weeks ended Aug. 14, 1954, an increase of 1% was reported. For the period Jan. 1 to Aug. 14, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade in New York City last week rose above that of the like week a year ago as a result of good shopping weather and additional shopping hours.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Aug. 14, 1954, registered an increase of 4% above the like period of last year. In the preceding week, Aug. 7, 1954, an increase of 1% was reported from that of the similar week in 1953, while for the four weeks ended Aug. 14, 1954, an increase of 1% was reported. For the period Jan. 1 to Aug. 14, 1954, no change was registered from that of the 1953 period.

SHIFTS IN the holdings of The Common Stock Fund of Group Securities Inc., over the past several months continued to favor the undervalued and higher yielding issues in the more dynamic industries, including steel and nonferrous metals.

Profits were taken in a number of companies which had so advanced as to reduce both current return and chances for further price rise. After the portfolio changes, the Fund's five largest holdings were steels, metals and mining, building, railroads and tobacco shares. The oils also were increased.

During the 12 months ended July 30, total assets of Group's Common Stock Fund rose from $6.3 million to $12 million, an increase of 90%.

With Stanley Swiech

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Casimir M. Wojcicki is now with Stanley Swiech and Company, 141 West Jackson Boulevard. He was formerly with Waddell & Reed, Inc.

Mutual Funds

By ROBERT R. RICH

AT A TIME when plans are under way to launch several investment companies with Canadian incorporation, Calvin Bullock points to the new tax advantages of its U. S.-incorporated Canadian Fund.

"Shareholders of Canadian Fund will be entitled to the dividend tax benefits accruing to holders of U. S. corporate common stocks," the memorandum said, "effective with the dividend payable Sept. 1, 1954.

"They will receive additional tax relief under a provision making available to each shareholder of a U. S. regulated investment company having more than 50% of its assets invested in foreign securities, his proportionate share of foreign income taxes paid by the company as a credit against his Federal income tax.

"In the case of dividend income, for example, the amount of such Canadian tax is 15%. This credit will apply to dividends paid by Canadian Fund, Inc. after Nov. 30, 1954.

"Canadian Fund is a regulated investment company which pays no U. S. income tax if, as it intends to do, it distributes approximately all of its net income annually. Canadian Fund shares are not subject to the Canadian Succession Duties as are companies incorporated under Canadian law."

Canadian Fund has current assets of approximately $28,000,000. Of these assets 97.5% represent common stocks and 89% of the assets are common stocks of Canadian corporations.

THE ATOMIC DEVELOPMENT Mutual Fund, Inc., in its first annual report just issued, showed total net assets on June 30, 1954, of $2,226,998, equal to $10.88 per share on 204,613 shares then outstanding. This compares with an asset value of $9.95 on Dec. 14, 1953, when the shares were first offered to the public.

Because of rapid recent growth of public investment in the Fund, Newton I. Steers, Jr., President, supplemented the annual report figures today, with an announcement that total net asset value has nearly doubled since June 30, topping the $4,000,000 mark on Aug. 10.

The Fund's report, covering its first fiscal year ended June 30, disclosed investments in the securities of 67 companies both here and abroad, all of which are participating in the development of atomic science.

Uranium mining and processing issues represented the largest category of investment with 39.3% of the Fund's assets. Second group was that of radioactive materials and radiation instruments with 10.5% of the Fund's assets invested.

CALLING ATTENTION to a shift in the distribution of its investments earlier this year, the quarterly report of Boston Fund for the three months ended July 31, 1954, notes that net asset value per share at the end of last month was $27.25, an increase of 7.7% over the figure of $25.31 at the end of April, with total net assets increasing from $104,856,944 to $112,753,270 during the quarter.

In the current report, Henry T. Vance, President of the Fund observes that:

"Earlier this year some of our high grade bonds were eliminated in favor of a larger holding of common stocks. This shift in emphasis has increased the Fund's income and during the last quarter has added to the overall appreciation in the net asset value."

As of July 31, the report shows 13.3% of the Fund's holdings represented by net cash and bonds, 16.5% by preferred stocks and 70.2% by common stocks. At the close of the last fiscal year, on Jan. 31, 1954, the proportions were 22.6%, 16.8% and 60.6%, respectively.

Mr. Vance also reports the addition to the Fund's advisory committee of Frederick Ayer, a Boston Trustee who is a director of the Columbian National Life Insurance Co., The First National Bank of Boston and United Shoe Machinery Corporation, as well as a trustee or director of many charitable and educational organizations.

WELLINGTON COMPANY, national distributors of Wellington Fund, has designed two new business reply mailing cards for its dealers, according to Milton Fox-Martin, Manager of Dealer Relations. Both cards, he said, are illustrated and employ the typical Wellington-blue.

One card invites inquiries for the Wellington prospectus with a headline "Would you like to look into Wellington Fund?" The other card utilizes a provocative make-up to stimulate inquiries for periodic investment plans. Mr. Fox-Martin said both cards are to be distributed through the Fund's wholesalers.

SALES OF the National Securities Series of Mutual Funds for the seven months ended July 30 totaled $32,364,108, all-time high for any like period, and a rise of $4,351,122 or 16% from the volume for the first seven months of 1953, according to E. Waln Hare, Vice-President of National Securities & Research Corporation, sponsors and managers of the Funds. Mr. Hare said July sales set a new record for the month at a level 17% ahead of a year ago and that total assets on July 30 exceeded $180,000,000.

SALES OF Group Securities, Inc. in the month of July were $2,369,733, up 223% over July 1953, according to Herbert R. Anderson, President. Sales for the first seven months registered an increase of 58% over the corresponding 1953 period.

Total net assets on July 31 were $66,926,347, compared with $56,573,643 a year earlier.

Net assets of Group's Common Stock Fund on July 31 were $11,993,488, compared with $6,279,974 on July 31, 1953. The Fund's asset value per share increased to $10.13 from $8.73 a year earlier.

DELAWARE FUND reported the largest July sales in its 16-year history. Sales for the month amounted to $435,000 for an increase of 52% over July last year. In the first seven months, sales had a gross value of $2,703,885, up 25% over the corresponding period of 1953.

THE DIFFERENCE between saving and investing is discussed in a new brochure published by Hugh W. Long and Company, Inc., underwriters of shares of Diversified Investment Fund, Inc.

Entitled, Does Your Money Sleep While You Work?" the study gives the results of saving $100 a month with 3% interest compounded semi-annually, compared with investing the same amount in shares of Diversified Investment Fund, with dividends reinvested to compound shares.

Diversified Investment Fund, Inc. is a mutual fund managed for income, with total net assets of over $44,000,000.

PRIMARILY because of appreciation in the value of National Investors Corp.'s investment portfolio, net assets increased to $38,824,000 from $31,789,000 at the start of the year and $29,146,000 12 months earlier.

Public optimism in present and prospective conditions typically has created an investment climate favorable to growth stocks, it was pointed out.

Throughout the period the fund's assets continued to be invested about 100% in common stocks.

New common stock holdings added during the second quarter were Halliburton Oil Well Cementing, Lincoln National Life Insurance, Shamrock Oil and Gas and Western Casualty and Surety. Common stock holdings eliminated were Johns-Manville, Mission Corporation, Vitro Manufacturing and United Gas.

The fund made major increases in its common stock holdings of Blockson Chemical, McGraw Electric, Signal Oil and Gas, Texas Pacific Coal and Oil and Victor Chemical Works.

Major reductions were made in common stock holdings of Emhart Manufacturing, Mathieson Chemical, National Lead and Rochester Gas and Electric.

THE SEMI-ANNUAL Report of Keystone Growth Fund K-2 reported a 16.3% gain in per share net asset value for the first six months of the fiscal year ending Dec. 31, 1954.

The increasing popularity of this Fund over the past six months resulted in an approximate 40% growth in net assets and a more than 27% increase in number of shareholders.

On June 30 the portfolio of this most conservative of the Keystone Funds for growth was approximately 50% invested in preferred stocks with the remainder in commons.

Other changes were as follows:

	June 30,'54	June 30,'53
Total net assets	$8,477,1[illegible]0	$4,97[illegible],8[illegible]8
Shares outstanding	930,794	564,369
Value per share	$9.11	$7.90

Affiliated Fund Gains Thirty-Six Million In Nine Months

A new high record in net assets for Affiliated Fund, Inc. is revealed in the company's report for the three months ended July 31, 1954, of $284,058,749, as compared with $248,744,204 at the end of its last fiscal year on Oct. 31, 1953. Net asset value per share increased to $5.56 on July 31, 1954 from $4.81 nine months earlier, a gain of 75 cents a share.

During the three months ended July 31, the company added the common stock of American Cyanamid Company and eliminated the common stocks of Consolidated Edison of New York, Continental Can, Florida Power & Light, General American Transportation, Houston Lighting & Power, Pacific Gas & Electric, Southern California Edison and United Aircraft.

PERSONAL PROGRESS

Sturtevant Hinman and Robert D. Michels have been elected Vice-Presidents of Television Shares Management Corporation, national underwriters and investment adviser of Television-Electronics Fund. Both men were among the original incorporators of the Fund, as well as the management corporation.

They will continue to serve as directors and members of the finance and investment committee.

Mr. Hinman, formerly a Vice-President and Director of Sinclair Refining Company, is an attorney with long experience in corporation law and estate management.

JAMES J. MULLEN, JR., President of Moloney Electric Company of St. Louis, has been elected a Director of Managed Funds, Inc.

A resident of St. Louis, where he was born in 1910, Mr. Mullen was appointed Secretary of Moloney Electric in 1933, the same year he was graduated from Harvard Business School.

Four years later he became Executive Vice-President of the organization and, in 1946, was elected its President.

Mr. Mullen is a member of the Board of Governors of the National Electrical Manufacturers Association, the President's Council of St. Louis University, and the Advisory Board of Maryville College. He is currently affiliated with several national, local and civic organizations.

THE SEMI-ANNUAL Report of Keystone Investment Bond Fund B-1 noted a 1.9% gain in per share net asset value for the first six months of the fiscal year ending Dec. 31, 1954, and a 4.9% gain for the 12 months ending June 30, 1954.

Pointing out that relative capital stability is the primary goal of the Fund, the Report further noted that the Fund had been more stable over the past year than highest-grade long-term bonds.

Other changes were as follows:

	June 30,'54	June 30,'53
Total net assets	$17,542,965	$17,300,480
Shares outstanding	651,401	674,182
Value per share	$26.93	$25.66

The steady growth of the combined 10 Keystone Funds over the past 12 consecutive months brought total net assets to a new high of $257,763,000 on July 28, 1954.

THE SEMI-ANNUAL report of Wisconsin Investment Company, Milwaukee mutual fund, reported net assets of $6,373,036 for the period ended June 30, 1954, compared with $4,946,574 a year earlier. Net assets per share were equivalent to $4.60 compared with $4.09 on June 30, 1953.

Harold W. Story, President, explained that the four cent a share dividend from net income, payable Aug. 2, which accompanied the report, had been deferred because of the proposed revision of the Federal Income Tax Law which might give a tax advantage to dividends received after July 31.

The Fund held 72 different common stocks at the end of the quarterly period.

NET ASSET VALUE per share of Growth Industry Shares, Inc., on June 30, 1954 was $31.28, an increase of $6.67 or 27.1% from the year-ago figure of $24.61. On March 31 this year the per share value was $28.75.

Net assets on June 30, last, reached $4,610,583, up 50% from $3,056,642 on June 30, 1953. At the end of March this year, net assets were $4,150,366. Shares outstanding increased to 147,420 from 124,214 a year ago and 144,360 three months previously.

On June 30 the company's funds were mostly committed in 47 common stocks. During the fiscal year ended on that date there were significant changes in the portfolio, "principally to take better advantage of dynamic changes in industry and earning power." In the three months ended June 30, Dow Chemical, Ex-Cell-O, Inland Steel and Southern California Edison were added, while Carpenter Steel, Cities Service and United Airlines were eliminated. Investments were increased in 16 companies. Because of very substantial price gains, which created some over-sized holdings, some profits were taken in Gillette, Minneapolis-Honeywell, National Cash Register, Rohm & Haas and Trane.

NET ASSETS of Financial Industrial Fund, Inc. on Aug. 11 were $23,763,052, $8,630,444 more than on the same date in the preceding year. In the last five years net assets of the Fund have increased $19,080,696 for a total of approximately 407%. Public purchases of Financial Industrial Fund Shares and the face amount of monthly contractual investment plans have been made at a rate of more than $1,500,000 per month during 1954.

ASSETS of Southwestern Investors, whose shares were first offered for public sale on Feb. 8, 1954, had assets on July 21 of $1.27 million. Net asset value increased from $10 to $11.54 during the same period.

TOTAL NET ASSETS of T. Rowe Price Growth Stock Fund increased to $3,081,953 on June 30, 1954 as compared with $1,917,763 one year earlier. The net asset value per share increased from $31.71 to $42.79 during the same period. After adjustment for the $0.30 distribution realized gain on the sale of securities in December, 1953, the net asset value per share showed an increase of 35.6% for the 12 months ended June 30, 1954.

Closed-End News

United Corporation

Increases in both net income and net asset value per share were recorded by The United Corporation during the six months ended June 30, 1954, according to the company's interim report.

Net income during the half year increased to $2,072,364 or 14.7¢ a share from $1,850,570 or 13.2¢ a share in the first six months of 1953.

The improvement resulted from a larger profit on sales of securities during the 1954 half year when such profit amounted to $581,772 compared with $264,186 in the first six months of last year.

Exclusive of the profit on sales of securities, net income in the first half of 1954 was $1,490,592 compared with $1,586,384 in the 1953 period; the reduction reflected a decline in dividend income following the sale of 244,339 shares of Niagara Mohawk Power Corporation common stock in January 1954, the proceeds of which were not immediately reinvested in other stocks.

Net assets on June 30, 1954, based on market value of securities held, totaled $77,527,715, equal to $5.51 per share. On Dec. 31, 1953 net assets were $71,106,271 or $5.05 a share and on June 30, 1953 to $67,582,311 or $4.80 a share.

The Securities and Exchange Commission, according to the report, has approved a United proposal that the company's investment program, authorized by the Commission in May 1952, be modified. Hence, except for relatively minor restrictions regarding certain public utility securities, United is now free to invest its funds subject only to the limitations placed on registered investment companies by the Investment Company Act of 1940 and the Rules and Regulations under that Act.

Equity Corporation

The report of The Equity Corporation for the six months ended June 30, 1954, shows net assets as at that date equivalent to $203.60 per share of $2 convertible preferred stock (preference in liquidation $50 per share), and $4.25 per share of the common stock after providing for the payment of the common stock dividend of 15c per share which is payable Aug. 31, 1954.

Comparable figures for March 31, 1954, were $200.20 per $2 convertible preferred share, and $4.15 per share of common stock.

Carriers & General

Total net assets of Carriers & General Corporation on June 30, 1954 were $12,539,456 before deduction of principal amount of outstanding debentures, and excluding unamortized debenture financing costs of $5,818. Net asset value per share was $19.02.

Total net assets at the 1953 year-end, similarly stated, amounted to $10,859,654 and asset value per share was $16.02.

Asset coverage per $1,000 of 3% debentures, excluding unamortized financing costs, amounted to $6,698 at June 30, 1954. Interest on debentures and amortization costs were earned more than seven times during the period.

The five largest common stock holdings of Carriers & General Corporation on June 30, 1954 were: International Paper, du Pont, Standard Oil of N. J., Sears, Roebuck and Union Carbide. These holdings represent approximately 20% of the total net assets of the company.

M. I T. Receives F. O. A. Citation

Massachusetts Investors Trust has received a citation from the Foreign Operations Administration in appreciation of the trust's cooperation and aid during the recent visit to this country of a group of West German private bankers and financial and economic experts who came here to study investment trust companies.

The West German group studied the U. S. capital markets for possible application of methods of encouraging development of private capital in free Germany.

In Boston, special attention was given to open-end investment trusts as an example of an investment medium through which small German investors from their savings could help provide the enterprise which German industry now lacks.

Railroad Securities

Improvement in Carrier Earnings Anticipated

One thing has become increasingly apparent as we have entered the second half of 1954, and that is that investors generally have been favorably impressed with the manner in which railroads have been able to control expenses in a period of declining traffic and revenues. Traditionally railroads are slow to reduce expenses under adversity and as a fairly large part of the carriers' expenses are fixed regardless of the level of traffic, earnings at times in the past have literally collapsed on any significant decline in volume. It is true that in the present instance, with cash balances more than ample, many railroads have chosen to continue heavy maintenance programs. Also, because of competitive pressure and because it is generally expected that the readjustment period will not be of long duration, there has been a disinclination to cutback on service. Nevertheless, on the whole the earnings performance, and particularly the trend, has been encouraging.

While many railroad executives have been quoted in the press to the effect that the decline in business had flattened out and that there were scattered signs of a recovery in traffic by early summer, no such trend has as yet been evident in published revenue statements for the industry as a whole. Gross in the month of June was 13.2% below year-earlier levels, practically matching the 13.5% decline reported for the full first half year. The net income figures, however, told a different story. The decline in net for June alone was held to 25.2%, whereas for the six months the drop amounted to 46.4%. July, with so many industries closed down completely by vacations, was presumably not too good. From here on, however, traffic comparisons should begin to improve materially and, with demonstrated improving expense control, earnings for the last three or four months of the year should show up quite well.

As is normal in the railroad picture, all railroads have not faired equally well in this readjustment period and individually these variations in performance have been pointed out from time to time in this column. What has been particularly striking is that the eastern section of the country, which lagged so markedly during the postwar boom, has also turned in the poorest performance during the current phase. For the first half of the year roads operating in the Eastern District (including the Pocahontas roads) experienced a decline of 15.2% in gross compared with dips 11.4% and 12.4% for the Southern Region (excluding the Pocahontas roads) and the Western District, respectively. More significant, net income of the eastern roads for the period was more than 70% below a year earlier while net for the southern roads was down 31.3% and for the western roads 31.3%. This divergence has been accompanied by a generally superior market performance for the securities of southern and western carriers.

The improvement in investment sentiment toward the railroads that has been marked by a steady upward movement of better grade stocks for nearly a year is now being evidenced in the refunding of bond issues. A short time ago Illinois Central sold $25 million of 3¼s at competitive bidding to refund 4¼s, and will shortly accept bids on $60 million more designed to refund the outstanding 3⅞s. Chicago Great Western has sold, also at competitive bidding, $5 million Collateral 3⅞s—not much more than a year ago the company turned down the only bid, which specified a 5¾% interest rate, for $6 million of bonds. Considerable further activity along the refunding line is definitely scheduled for the near future. Northern Pacific and Western Maryland the scheduled to refund long-term bonds next month and Louisville & Nashville will be in the market with bonds to provide for payment of a 1955 maturity and to raise additional cash for its terminal modernization program. It is the opinion of bond men that many more such operations are likely in coming months.

With Slayton & Co.

(Special to The Financial Chronicle)

NEW ORLEANS, La.—James A. Lindsay is now with Slayton & Company, Inc., 1803 Broadway. He was formerly with Woolfolk & Shober.

Joins Clayton Securities

(Special to The Financial Chronicle)

BOSTON, Mass. — Florence A. Hinkle is now connected with Clayton Securities Corporation, 79 Milk Street, members of the Midwest Stock Exchange. Miss Hinkle was formerly with Tellier & Co.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Donald R. Gilmore is now with Investors Planning Corp. of New England, Inc., 68 Devonshire Street. He was previously with Edward E. Mathews Co.

With Zilka, Smither

(Special to The Financial Chronicle)

PORTLAND, Oreg. — John H. Hemingway has become associated with Zilka, Smither & Co., Inc., 813 Southwest Alder Street.

Harold W. Moody

Harold W. Moody, President of Juran & Moody, Inc., St. Paul, Minn., passed away after a brief illness.

Bache Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Richard E. Lange has been added to the staff of Bache & Co., 135 South La Salle Street.

Now With Allan Blair

(Special to The Financial Chronicle)

CHICAGO, Ill.—Ernest J. Rentner has become connected with Allan Blair & Company, 135 South La Salle Street.

With Straus, Blosser

(Special to The Financial Chronicle)

DETROIT, Mich. — Alan D. Hubbell and John P. McDonell have been added to the staff of Straus, Blosser & McDowell, Bankers Equitable Building.

Joins Garrett-Bromfield

(Special to The Financial Chronicle)

DENVER, Colo. — William L. Allen has become affiliated with Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange.

Two With Hamilton

(Special to The Financial Chronicle)

DENVER, Colo. — George T. Dewey and Robert J. Ripley are now affiliated with Hamilton Management Corporation, 445 Grant Street.

A. S. Krakover Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Murray Marcus is now affiliated with A. S. Krakover Brokerage Co., 1355 Hooker.

Railroad Executives Discuss Outlook for the Industry

Continued from page 6

HARRY A. DeBUTTS

President, Southern Railway System

Support for a justified optimism in the future of the South shows up every day with entries of new or expanded industries and businesses in the records of the Southern Railway System which serves so great a part—in fact, almost the whole—of the area commonly referred to as the South.

Harry A. DeButts

Support for a justified optimism in the future of the Southern Railway System and its ability and determination to serve the South well can be found in its record of physical improvements, capital investment, industrial promotion, and managerial and employee competence.

Almost the only recognized limit on growth in the South today is that set by the geography of the territory with boundaries along the Potomac and Ohio rivers, the Mississippi, the Gulf of Mexico and the Atlantic Ocean. There's no expansion possible there. But development within the region has enlarged its value and potential value many times over as an economic asset to the United States. And the end of such development is not in sight. Actually, only a good strong beginning has been made.

Readers of *The Commercial & Financial Chronicle* require no aid, by way of proof, from a brief article like this one to know that the South's growth and potential for growth makes of it the very brightest spot in a study of our country's economy.

And the South's railroads fit perfectly in the picture. Recently, a report was made to the Southern Association of Science and Industry telling how 22 railroads in the South are now spending $300 million annually in fostering the region's industrial development.

The report told also how, since the end of World War II, when materials and labor became available again, Southern railroads have added almost 4,000 new locomotives incident, largely, to dieselization of their lines; more than 140,000 freight cars, including expensive types for handling refrigerated and chemical shipments, and 13,659 miles of new rails. They have installed the most modern of signal systems, added radio, and have spent more than $600 million for improved roadbeds. Despite declining passenger business because of highway and plane competition, the railroads have added 1,238 passenger cars, notably luxury units.

The capital outlay has amounted to more than $1.5 billion.

And this is not the end.

As business and earnings permit, the Southern Railway System will continue to improve its property. It will do all in its power to further industrial, business, agricultural and mining growth in the South it serves. It will recognize to the fullest extent its obligations as a common carrier. And it expects to hold the respect of those whom it serves as a carrier that can be relied upon in any and all circumstances.

Public understanding, as well as respect, will be needed. As the writer sees things, any limiting factors on our ability to serve in the future will result from a continuation of giving aid and comfort to subsidized common carriers while severely restricting railroads in a right to compete.

Public understanding can lead to public demand that railroads be recognized and permitted to function freely as common carriers of the nation's commerce on a fair competitive basis with other non-railroad carriers.

We will work for that understanding.

CYRUS S. EATON

Chairman of the Board, The Chesapeake & Ohio Railway Co.

C&O looks at the picture encouragingly for the remainder of 1954 when earnings show an indicated improvement over the first half of the year. From the standpoint of traffic volume, a leveling-off period is apparent, with good prospects of a pick-up in the fall. Coal should benefit from an expected higher steel operating rate as well as greater utility demand. Inventories generally are down — coal stocks have decreased ten million tons. Coal exports have held up fairly well, and hopes are high for official confirmation of the ten million additional tons of export coal to help needy nations as announced by Foreign Operations Administration. Industrial development along the C&O is proceeding at a rate even better than last year.

Cyrus S. Eaton

On the cost side of the picture, we are streamlining operations to conform with decreased traffic levels. The physical condition of our plant is excellent, while cost-reducing expenditures of the past are now paying off. Our financial position is sound and, with capital expenditures reduced two-thirds, further improvement is assured.

Many of these comments regarding C&O can also be applied to the railroad industry in general. Traffic declines have been severe. Operating and terminal costs, particularly in the East, have been oppressive, but the general feeling that the worst is over, seems to be the significant force behind the recently renewed investor interest in railroad securities. I do not feel this confidence is misplaced.

F. G. GURLEY

President, The Atchison, Topeka & Santa Fe Railway System

Judged by ordinary standards, Santa Fe's business for 1954 will be good although moderately below the unusually high results in 1953. During the balance of the year we expect Sante Fe revenues to be slightly lower than during the same period of 1953.

Fred G. Gurley

From a comparison standpoint, the first half of 1953 reflected an unusually high level of activity somewhat because of the movement of military commodities for the war in Korea ended in July, 1953, and it was natural that our revenues for the same period in 1954 should be substantially lower.

Agricultural products are one of our primary sources of income and a drought existing in Texas, New Mexico, Colorado, and parts of Oklahoma and Kansas has not only adversely affected traffic in agricultural products, but has had an effect on the general economy of the territory. Santa Fe is fortunate in serving an area continuing to develop industrialwise. Increased activity resulting from these developments should in the long run be productive of new traffic for the Santa Fe both in construction material and the movement of commodities produced by these new industries as well as those associated with economic growth.

Santa Fe, like all other railroads, continues to be faced with increasing truck competition which, because of indirect subsidies and in great part exemption from equality of regulation, it is difficult to meet.

Passengerwise, Santa Fe does not expect to reach the revenue level it did in 1953. There has been a general reduction in the movement of military which has been partially overcome by the railroads' family fare plan. We are encouraged with the traveling public's acceptance of the new San Francisco Chief. Santa Fe's new full-length dome cars running in El Capitan, San Francisco Chief, Kansas Cityan and Chicagoan also have proved popular. Experimentation is now going on with two "Hi-Level" chair cars and responses from passengers have been gratifying. Intense air competition through subsidized competitors makes the whole problem of passenger train operation one that is fraught with many problems.

It is felt that head-on traffic, including mail and express, will compare favorably with the year 1953. With respect to mail in particular, there is considerable conjecture for the future because of certain activities concerning the diversion of mail to motor truck carriage as well as the possibility of diversion of more first-class mail to carriage by air.

We have every confidence in the general economic prosperity of the country and the territory that Santa Fe serves. With an equality of opportunity there is ample reason to believe that the Santa Fe's outlook will stand up well in relation to the economy of our territory as a whole.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

The outlook is good for the railroad that likes to think of itself as "The Main Line of Mid-America." It is feelings the effects of the slide-off in business brought about by the readjustment in defense spending and by the welcome movement toward government economy. The Illinois Central this year will not reach its profit of $25 million-plus of 1953, but it does expect to have a net for 1954 of $17 million, and possibly more if business turns upward. This is expected to be accomplished without any curtailment of our maintenance programs.

Wayne A. Johnston

The railroad industry is a volume industry and as such its fortunes are closely linked with those of business in general. When volume is down, railroads suffer more than industries that can slow down production lines, because expenses on a railroad are difficult to reduce without curtailments of service or deferments of maintenance. Thus far on the Illinois Central this year, the decrease in business has been less than for American railroads at large. Class I railroads for the first six months had decreases in operating revenues of 13.5%, whereas those on the Illinois Central for the same period were off 10%.

The economic strength of the Illinois Central may be said to rest upon two main footings. First is the economic importance of the region it serves and the wide variety of traffic from the region's great productivity. The railroad is the leading carrier serving the vast central region of the United States. From its most western points in South Dakota, Nebraska and Iowa, to its most southern point of New Orleans, the Illinois Central stretches nearly 1,500 miles through several distinct geographic regions. Its rail lines of more than 6,500 miles reach into 2,000 communities in 14 Midwestern and Southern states. This vast region has nearly half the people of the United States and a great part of its agricultural, mineral and manufacturing wealth. The diversified production of Mid-America means that the Illinois Central is not dependent upon any single or limited number of industries or products of field or mine.

The railroad's second main footing is its financial conservatism, which has given the railroad an economic stability since it was founded in 1851. During those 103 years, the Illinois Central has a record of never having undergone a reorganization and of never having defaulted on a dollar of funded debt.

Through a policy of corporate and financial simplification, the Illinois Central steadily has whittled away at past debt. During the decade of the 'thirties the Illinois Central had annual fixed charges of $17 million. During the next decade of the 'forties, the railroad reduced its fixed charges to the point where average annual interest payments were $12½ million. The interest on funded debt during 1954 for the first time in many decades will be less than $7 million.

An indication of the financial standing of the modern Illinois Central is the fact that it has just completed arrangements for refunding a $25 million bond issue, in the process of which it called in a 4¼% bond and reissued it at 3¼%. The transaction will result in an annual savings of well over $200,000.

The economic growth of Mid-America, and particularly of the southern half of that region, has had much to do with the Illinois Central's progress. Since the end of World War II, more than a thousand new industries have been attracted to the railroad. The construction costs of these new industries represent an investment of three-quarters of a billion dollars. Added to the more than one-quarter of a billion dollars spent on expansion of existing plants during the same period, the total comes to a billion dollars in new and expanded plants in less than a decade. A good part of this expansion has been in the chemical industry, an industry of great growth potential.

Railroads are built to operate for the long pull. With this in mind, I think it is safe to predict that the economic future of the Illinois Central is bright with promise.

ROBERT S. MacFARLANE

President, Northern Pacific Railway Co.

We anticipate that Northern Pacific Railway operating revenues for the last half of 1954 will run about 8½% under 1953, which is approximately the percentage our revenues were off the first half of the year. This drop was not unexpected in view of the inevitable shift from a war-time to a peace-time economy in the United States following the cessation of hostilities in Korea.

Robert S. Macfarlane

In common with other railroads we have lost a considerable volume of government traffic since the Korean truce. In addition, Northern Pacific traffic has been adversely affected by the Pacific Northwest strike which has tied up much of the lumber industry in the area since the middle of June. However, Northern Pacific is a granger railroad and prospects for tonnage from the products of agriculture during the remainder of 1954 are, on the whole, favorable, as indicated in the following summary:

Based on long-time average production, cereal crops, including flax, in our territory this year are rated satisfactory. However, production is slightly below 1953 and considerably under the recent average, which includes the remarkable series of consistently favorable years, 1940 to 1952, inclusive. In part, this is due to severe government wheat acreage restrictions, as well as to yield reductions as a result of drought, high temperatures and rust in our eastern territory.

The wheat crop is presently estimated at 22% under 1953, but this reduction is partially offset by a larger acreage of barley, flax, oats, soybeans and corn planted on diverted wheat acres. From a tonnage standpoint, the fruit crop, mainly apples and pears, is 10% under 1953, which was considered a year of average production. Present prospects point to production of sugar beets, potatoes and dry beans and peas considerably above 1953 and the average. Our territory now carries an all-time-high livestock population which is in excellent condition, and breeding herds and flocks will go into the winter with abundant feed supplies.

Farm commodity prices, excluding dairy products, are good, averaging above last year on our principal products. But considering production declines in grain and fruit, aggregate farm income will be 8 to 10% below 1953, according to current estimates. Considerable apprehension is felt over 1955 income because of further government cuts in wheat acreage allotments and the imposition of rigid restraints on crops to be planted on diverted acres. Foreboding in this regard may result in

conservative expenditures by farmers during the approaching fall and winter.

Inauguration of Vista-Dome service on the North Coast Limited, Northern Pacific's Chicago-North Pacific coast streamliner, the middle of August, already has had a salutary effect on our passenger revenues. When all of a fleet of 20 Vista-Dome cars are delivered by early November, we will have two coach domes and two sleeper domes on each North Coast Limited.

PATRICK B. McGINNIS

President, The New York, New Haven & Hartford Railroad Company

For some years, railroad bonds and stocks have failed to fire the imagination of investors. It seems but a short time ago when many of our railroad systems were being rehabilitated in reorganization and rail securities were selling by the pound. At that time, it required a combination of painstaking effort and exceptional persuasive talent to break down investors' reluctance to include in their portfolios railroad bonds and stocks quoted at fractions of their intrinsic value. Even today's yields and price-earnings ratios for rail securities evidence a measure of investor skepticism.


Patrick B. McGinnis

From this state of affairs it might be concluded that railroad operation is a more or less prosaic enterprise with little scope for progress and offering little inducement to venture capital. As a matter of fact, however, recent developments in railroad affairs belie such a conclusion. A young, vigorous, open-minded group of management men, unshackled by tradition has emerged on many railroads. New thinking has been added, and the beneficial results have been manifested both in railroad operating results and in the market pattern of the railroad securities in question.

[The Seaboard, Denver & Rio Grande and the Rock Island systems are cases in point. Alfred E. Parlman, who has joined us in the East, operated the Denver & Rio Grande over the Rocky Mountains at the lowest transportation cost of any railroad in the United States. His results challenge the best efforts of railroad management. As in other cases, they have been clearly reflected in the securities markets.]

The Problem of Passenger Business

One aspect of railroad operation which has attracted considerable public attention in the recent past is the problem of passenger train operation. Rightly or wrongly, this division of the business has long been an embarrassing burden to railroad management. The problem is one to which concentrated attention is being given by the New Haven Railroad which derives from passenger business more than 40% of its total revenues. In analyzing the difficulty, a thorough study has been made of a revolutionary type light-weight, low-slung, rail-hugging train possessing promise of recapturing business previously forfeited to the private automobile and the short haul airline.

To the development of such modern equipment the country's leading railroad car builders have been devoting attention in recent years. These efforts are likely to be accelerated not only by the recent action of the Rock Island system in ordering a Talgo-type train but also by the enthusiasm with which such a train was publicly acclaimed when it was recently exhibited on the New Haven Railroad.

New Style Train Available

The original Talgo train was built five years ago by ACF Industries, Inc., for service in Spain. For the past four years, two such trains have been operated continuously by the Spanish National Railways, between Madrid and the French border at Hendaye. In spite of heavy grades and mainline track conditions far below American standards, the trains make the 400-mile run in approximately two-thirds of the time required by the best conventional equipment.

The new style train consists of short, articulated units. Each unit is supported at the rear by a pair of wheels and at the front by the wheeled end of the preceding unit. This creates a series of short trailer units, each riding piggy-back on the unit ahead.

The train design provides for 75% less dead weight per passenger. One conventional coach weighs as much as four low-slung coaches of five units each. This weight reduction enables faster accelerations and decelerations, reduced fuel cost, increased life of component parts, less wear on roadbeds, and lower maintenance costs. The train requires only 40% of the fuel needed to pull a standard train of equal capacity.

The achievement of light weight involves no sacrifice of strength. The length of each unit is only one-quarter to one-third the length of the conventional car. Thus, heavy bridging members required in conventional cars to support the car structure is eliminated.

The axles and wheels of the new type train are automatically guided through curves, in contrast to conventional wheel equipment which must fight the rails around curves. This feature affords anti-derailment safety as well as high speeds on curves.

Low Center-of-Gravity

No feature of the revolutionary new passenger car is more distinguishable than its low center-of-gravity. Instead of climbing up more than four feet from the rails and swaying above the wheels, as in the case of conventional cars (and 1900-vintage automobiles), the passenger rides 18 inches above the rails, cradled between the wheels.

The train is about 4½ feet lower than the standard coach. The interior resembles a wide airplane, rather than a standard train. The experimental model has airplane style, reclining seats. The ceiling at the aisle is 7 feet, 6 inches, or about the same as in an airplane. Standard cars run up another four feet, adding so much extra space to heat in winter and to air condition in summer months. When a conventional train passes, the bottom of its windows is about even with the top of the windows of the low slung train.

The center of gravity of the new type train is 3 feet, 4 inches above the rails, or two feet lower than the center-of-gravity of conventional equipment. In type, the train represents nothing more than the application to railroading of the engineering techniques which have been responsible for the phenomenal growth of the automotive and airline industries.

Low Cost Possible

In terms of initial capital cost the new type train could make a considerable difference in railroad operation. For example, the New Haven Railroad's Merchants Limited, operating between Boston and New York in almost four hours with 2½ tons of steel per passenger, costs, approximately $2,300 per seat, compared with $2,000 per seat for the road's Budd cars, and $1,450 per seat for its multiple unit cars. It is conceivable that if the nation's railroads were to agree on one interchangeable design in such light weight, low slung equipment, it could be mass-produced at a cost not far above $500 per seat. In other words, the cost would be on a par with the per seat cost of a low-priced private automobile, calculated on the basis of four persons per auto. What this cost reduction would mean in terms of low cost rail travel can easily be visualized.

Tested on Curves

For the purpose of studying the principles and potential of light weight, low slung passenger equipment, the New Haven Railroad on June 21, 1954, brought to its lines a facsimile of the Talgo trains which have been operated in Spain for the past four years. This is but the prototype of the train which the road's management contemplates placing in operation with a view to reducing to approximately 2½ hours the running time between the outskirts of Boston and New York.

Between Boston and New York on the New Haven Railroad there are 2,520 degrees of curvature. In effect, in other words, we turn around seven times on our rail trip between the two cities. Here, indeed, is a challenging test for sleek, light weight, passenger car equipment designed primarily for negotiating curves comfortably at high speeds.

On a press demonstration run between New Haven and Boston on June 29, 1954, the five-year-old, low-slung train attained a speed of 111 miles per hour on straight-away track, with no greater sense of speed or motion to the passenger than was experienced in the eighties and nineties. What is more important, the train negotiated safely and comfortably at speeds of from 86 to 90 miles per hour curves which normally are taken at 60 miles per hour by standard trains.

Revolution in Rail Travel

All tests of the light weight, low-slung passenger train on the New Haven Railroad demonstrate convincingly that a revolution in rail travel is at our doorstep. Who will build "tomorrow's train . . . today" is beside the point. The foremost consideration is that American railroad management faces an opportunity to bolster the fortunes of our railroads by the simple expedient of supplying to passengers the speed, comfort, and low cost they desire. In doing so they will recapture a vast volume of business heretofore short-sightedly relinquished. It is as simple as that. I have no doubt that railroad management will rise to the occasion.

J. W. McINERNEY

Railroad Analyst, Wood, Walker & Co., New York City

Rail stocks and bonds have done amazingly well in the last year marketwise, considering the recession in heavy business and the increased wages on the railroads over those prevailing a year ago. Ability to earn dividends being paid with a reasonably good margin under difficult conditions and the high yield on the securities have been large factors. Presuming an upturn in business of moderate proportions, which we believe will develop before the year-end, the work which the railroads have done in getting their expenses in order during the last eight or ten months, should make for better comparative figures in earnings going into 1955.

We thing that everything considered Illinois Central, Southern Railroad, Kansas City Southern and Nashville, Chattanooga and St. Louis are attractive situations. They pay substantial dividends against current prices and there are factors for earnings improvement ahead.

In a different classification we call attention to Baltimore & Ohio Railroad Company, now selling at about $26 per share. This company made $9.75 a share in 1952 and over $10 a share in 1953. While we doubt it will make more than $6 or $7 a share of earnings in 1954, we believe that over the next couple of years the reasons which have made it impossible for this company to pay much of its earnings out in dividends on the common stock will be largely cured—either eliminated or the goal will be in sight. The new business outlook for Baltimore & Ohio from South America, Canada, Africa and on its own lines, seems good to the writer.

Colorado Southern 1st preferred stock, selling at about $56 and paying $4, with no debt on the road with the public, looks under priced. A subsidiary company, Fort Worth and Denver City, has about $16 millions of bonds. During the last ten or twelve years the two companies together have bought in over $40 millions of their debt. The Burlington controls the company.

For those who want a 'long shot' . . . . Chicago, North Western Railroad common stock, selling around 12. It pays nothing and likewise has no earnings. In fact it did not even fully earn the dividend on the preferred stock the last couple of years. However, this road has been thoroughly reorganized and considering the size of the company has very little debt and very little stock. It has about $45 million in cash on hand and while it has lots of problems we think that the management will be able to make progress which will be profitable to holders of the stock at present levels.

E. SPENCER MILLER

President, Maine Central Railroad Company

Manufacture of pulp and paper outweighs in traffic significance all other industry in Maine Central territory, and it follows that any appraisal of future traffic volume must involve an opinion upon the probable level of paper, pulp and paper products manufacturing in the 20 mills situated on our lines and the three other units in Maine served by a connecting railroad. For the first six months of 1954 carloads of finished products from these plants and handled by Maine Central exceeded in number those handled for the comparable period in 1953 by 5.4%. It is axiomatic that a paper mill consumes three or four cars of fuel and raw materials for every car of finished product and Maine Central, with one or two minor exceptions, has retained or secured the great bulk of this inbound business. The future of Maine paper traffic appears bright because of great areas of available timber as well as rapidly growing utilization of hard wood. Increased production from one plant which is investing $7,000,000, as well as from another which is nearing completion of an expansion program several times as large in dollar value, is still to be realized.


E. Spencer Miller

Net ton miles for the period Jan. 1-July 31, 1954 decreased 0.7% from the 1953 level. Pulpwood which in a normal year is to be considered as the most important revenue producer, after paper and pulp, has moved in disappointing quantities in 1953 due to high inventories at the mills and in 1954 due to extremely wet weather hampering cutting. There is every reason to think that this loss is temporary and will be recaptured, and that through cooperation with the industry in reducing handling costs some new business may be generated.

The only cement mill in New England is situated on Maine Central at Thomaston. A strike lasting from June 6, 1954 to the first week of July adversely affected cement traffic, but increased plant capacity promises future volume in excess of any enjoyed in the past.

The industrial area served is growing moderately, but soundly and the nature of this industry is such as to promise remarkable stability. It is our expectation that barring a serious national depression, traffic volume on the Maine Central will increase moderately over the next few years and it is our further belief that if a depression should occur Maine Central traffic would be affected less adversely than traffic nationally.

Net income has declined from last year's level for reasons other than traffic. For instance, we have spent more money for maintenance of equipment and car hire has become increasingly adverse. Both items are subject to control to some degree and may be reduced within limits when reduction appears advantageous. There is little room in which to offset wage or material increases through higher rates without substantial diversion of traffic.

HENRY S. MITCHELL

President, Duluth, South Shore & Atlantic Railroad Co.

During the first half of 1954 railroads in general have experienced very substantial decreases in gross revenues as compared with recent years. The prospects for the remainder of 1954 are still highly speculative, but current indications seem to show that no rapid upturn in the volume in railroad traffic is to be anticipated in the present year.


Henry S. Mitchell

In the case of many railroads the decline in earnings has necessitated reducing expenditures for maintenance below the annual requirements of normal upkeep. Continuation of the present level of traffic will intensify the need for labor saving equipment, and encourage the development of new machinery to perform tasks now consuming many man hours of labor.

The present situation of the railroad industry emphasizes the pressing need for a sound national policy permitting the discontinuance of deficit passenger operations wherever consistent with a realistic appraisal of the public interests.

Continued on page 30

Continued from page 29

J. P. NEWELL

Vice-President, Pennsylvania Railroad

The outlook for the Pennsylvania Railroad must ncessarily be broken down into two categories—as it relates to traffic, and as it relates to operating results, although there are related matters bearing on each.


James P. Newell

Insofar as our traffic is concerned, we contemplate no perceptible improvement in the situation during the next two or three months. However, we expect an upward trend in the volume of traffic sometime between November, 1954, and the Spring of 1955. At this time we are rather confident that a very worthwhile improvement will have been obtained by the latter part of 1955, and that 1956 will be a very good year. Of course, these statements are predicated upon a continuation of the present international situation.

As to our operating results—it is anticipated the remaining months of 1954 will be much better than the first half of the year, although possibly not quite as good as the past two months. We expect to have a net income for the year. It will not be a satisfactory figure for the year as a whole, but the improvement in the last seven months should be very encouraging, compared with the situation that obtained at the end of May. Of course, it must be realized that a portion of the improvement has resulted from deferring maintenance work. The roadway maintenance which has been deferred has not been so serious as the deferment in maintenance of equipment, which has not permitted us to secure satisfactory reduction in our shop list, nor to maintain as many first class freight cars as would be desirable.

We are just now revising our 1955 program. We are hopeful it will produce much better operating results than in 1954. Of course, our showing can be adversely affected by any serious increase in wage rates or inimical governmental policies with respect to preferential treatment to other forms of transportation.

HENRY K. NORTON

President, New York, Susquehanna & Western Railroad Company

The present railroad situation is a tough one, as evidenced by the "earnings reports" — although many of them show a lack of earnings for the current year. Between government subsidized competition, government controlled rates and wages determined, for the most part, by government action, the break-even points of the railroads of the country are so high that they can only operate profitably on a top volume of business. With a recession even as slight as the one we have experienced this year, many of them go into the red. There is nothing in the outlook for the remainder of this year which would indicate a change in this situation.


Henry K. Norton

CHARLES A. PINKERTON, JR.

President and General Manager, Detroit & Mackinac Railway Co.

Due to general business decline and increased competition from other modes of transportation, the Detroit and Mackinac Railway Company undoubtedly will find itself with an earning level approximately 10% below a year ago. It does not seem likely, in light of present economic trends, that any sharp upturn in business activity will be experienced.

I feel that the railroad industry has played the role of Rip Van Winkle. However, it is now awakening and realizes that if it is to exist and prosper, it is going to have to become more aggressive. Railroads are going to have to learn the meaning of the word "compete," and then do so. The industry will have to get away from its old habit of charging what the traffic will bear and will have to reduce, cut and modify rates to lure shippers back to the rails. Railroaders can consider themselves somewhat akin to the retailer, in that volume movements can have a lower unit cost.

There are faint hints throughout the country that such competitive forms of transportation as the motor carriers are reaching a plateau in their economic ascent of the past quarter century. This may mean that now is an ideal time for the railroads to step in and counter-punch in the economic fight for patronage.

The railroads have certain rate advantages over trucks. But they are going to have to be more than just cheaper than the competition. Customers are willing to pay a premium for service for their freight as well as for their mail and communications, as evidenced by the wide utilization of our mail, telephone, telegraph, etc. On our line, as apparently on most others, terminal delay is an operational bugaboo which must be overcome in the quest to provide better service.

Railroads too should continue their long-range fight against outmoded regulation. The railroads, individually and collectively, will reach an ultimate pay-off if they continue to take their story to the public. Pressure cannot be relaxed and the competitive theme—so effective in advertising—of private industry paying its own way and yet hobbled by oppressive governmental red tape should be brought to the attention of the public eye and ear.

D. J. RUSSELL

President, Southern Pacific Company

Growth—a growing population and a growing diversification of business and industry—is brightening the railroading outlook in the West and Southwest.

In recent years, the eight states served by the Southern Pacific have been among the nation's leaders in the rate of population increase. Between 1940 and 1953, this Golden Empire — California, Oregon, Nevada, Utah, Arizona, New Mexico, Texas and Louisiana — recorded a population increase of 50%, compared to a 20% national gain.


Donald J. Russell

Looking ahead, projections of the United States Census Bureau foresee for the eight states a gain of as much as 31% during the decade ending in 1960. For the nation as a whole, the Census Bureau foresees a gain of as much as 17%.

Many opportunities for the establishment of new manufacturing and processing plants have opened with the rising population, and there has been a great industrial development in these states. Important in Southern Pacific's long- and short-range planning, therefore, have been measures to attract new industries to our lines and meet their transportation needs. Our records for the past quarter-century show an average daily gain of about one and a half new carload producing industries, or expansions of existing carload plants, served by trackage of SP System lines.

The wide diversity of the manufacturing plants and of the vast agricultural, mining, and lumbering enterprises we serve in the West and Southwest is one of the most favorable factors in our traffic outlook.

Indications are that construction, spurred by liberalized credit, will continue at a high level throughout the country. That is encouraging. Lumber and lumber products are shipped in great quantities over our lines, and new industries—such as large-scale manufacture of plywood and composite wood products — have been adding extra vitality to this business.

Expansion is a keynote of other industries. There are important new developments in copper production. The petroleum-chemical industry of the Southwest, centered in areas Southern Pacific serves, has mushroomed phenomenally. Manufacture of consumer products — from automobiles to beer—has boomed as production has been located near this new mass market in the West and Southwest.

Diversity has always been an earmark of the Golden Empire's agriculture, and that traffic remains at a high level despite year-to-year fluctuations in the relative importance of different crops.

The confidence of the railroads of the West and Southwest in this dynamic growth is demonstrated by their large investments for improving equipment and facilities.

Southern Pacific, for its part, has spent or authorized more than $524,000,000 since World War II for new diesel locomotives and modern freight and passenger cars. This program has included the acquisition of nearly 40,000 new freight cars of various types, with 2,750 others on order or authorized.

With the other railroads, Southern Pacific is convinced that if all modes of transportation can be kept truly competitive—each class of carrier made to "stand on its own feet"—the railroads, as the prime movers of the country, will obtain their just share of the nation's growing prosperity.

JOHN W. SMITH

President, Seaboard Air Line Railroad Company

Following the termination of active hostilities in Korea in mid-1953 after three years of intensive warfare, the predicted downward trend in the national economy began in the late months of that year and has continued thus far in 1954.


John W. Smith

The reduction from the high peaks of a year earlier, however, has generally been relatively mild. There have also been noticeable differences in the degree of impact in its effect upon various sections of the country.

At this time there are many indications to support the view that the period of adjustment has reached a level plane and that an upturn in the economy will take place in the late months of this year and in 1955.

In the Southeast where the Seaboard's lines are located, we see evidence that the relatively mild decline has been arrested and there is promise that the remaining months of this year will compare favorably with the like period of 1953.

The operating revenues of the Seaboard were affected by the conditions obtaining generally in its territory and our gross for the first seven months of this year was somewhat lower than in the same months of 1953. Through the utilization of capital improvements made to the property in recent years, it has been possible, however, to work out important operating economies which have done much to lessen the effect of smaller gross revenues on net income.

An outstanding factor in undertaking to gauge the future trend of business in the Southeast is the continuing interest shown by industry in plant locations in this section. While this is no longer a new condition, the fact that interest continues with force is an indication of what lies ahead for the Southeast.

Each new plant that is established in the area adds further stability to the economy of the Southeast, bringing, as it does, new payrolls and new markets for the abundant natural resources of the region. This, in turn, broadens and enriches the steadily growing market of the section and creates new demands for still other manufacturing, distributing and service enterprises.

Summed up, it appears evident that the Southeast has sustained successfully the period of adjustment and is little the worse for it. Today, business activity is still at a high level and there is no feeling of pessimism among businessmen as a whole. On the contrary, there is strong evidence that the steady progress already recorded will continue.

R. H. SMITH

President, Norfolk and Western Railway Company

For the first half of 1954, the Norfolk and Western has suffered from the general reduction in volume of traffic that has characterized most of the railroad industry in the United States. For that period its net earnings have been off approximately 25% as compared with the same period of the previous year. During July, and so far in August, there has been no substantial change in that situation. At present, our railroad has completed its post-war passenger and freight car restoration program. Its freight car fleet, tonnage handling capacity, is back where it was at the peak of the war. All new equipment has been paid for and maintenance is fully current with bad order cars less than 2.5% of total ownership. The condition of its locomotives is excellent.


R. H. Smith

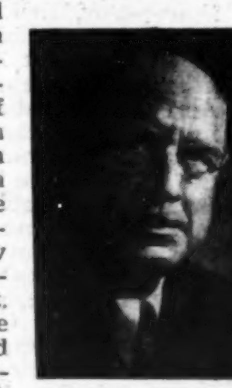
Immediately after the end of the war, it embarked on an ambitious program of improving its rail-water pier facilities at Hampton Roads, modernizing its locomotive terminal facilities for the more effective servicing of its locomotives at its principal terminals, and the improvement of its yard freight car handling facilities at its principal terminals; also an extension of CTC and signaling on principal single track lines and the rebuilding of its main line over Elkhorn Mountain, substantially reducing its maximum main line grades and curvature. All of this work has been completed and paid for.

There appears to be considerable optimism toward an improvement in general business conditions and traffic volume during the balance of 1954 and during 1955. We are hopeful that this will occur and, if it does, the Norfolk and Western is in position, because of the above described improvements, to take advantage of it.

W. E. UMSTATTD

President, The Timken Roller Bearing Co.

For over a quarter of a century, The Timken Roller Bearing Company has been pioneering the use of tapered roller bearings in all types of railroad rolling stock. In 1926, the Milwaukee Road placed in service the first completely roller bearing-equipped passenger train and used Timken bearings. Later, other railroads followed, and today every modern passenger train rolls on some make of roller bearing. In 1928, the Timken Company purchased a modern steam locomotive equipped with Timken roller bearings on all axles. The locomotive was then loaned to railroads all over the country to show them the advantages of roller bearings in that type of equipment. Gradually, roller bearings became the standard for steam, electric and diesel locomotives. Today, all modern locomotives are equipped with some make of roller bearing. In recent years, much progress has been made in the application of Timken tapered roller bearings to the nation's freight cars—"Roller Freight." For example, Atlantic Coast Line has 2,946 pulpwood and covered hopper cars on Timken bearings. This amounts to about 10% of their freight rolling stock. Union Pacific cut running time in half between Salt Lake City and Los Angeles when they equipped 800 livestock cars with Timken roller bearings. Since then, Union Pacific has used our bearings on 500 ore cars and 200 tank cars. The new 357-mile railroad recently built to tap Labrador's fabulous iron ore strike has all 2,000 of its ore cars on Timken tapered roller bearings. Chesapeake and Ohio has 1,000 coal hoppers on Timken bearings, and these hoppers have gone approximately 80,000,000 car-miles without a hot box.


Wm. E. Umstattd

Operating and maintaining freight cars on friction bearings cost the railroads a lot of money. Hot boxes (overheated friction bearings) alone cost them over $55

million a year. The expense of lubrication, inspection and general maintenance is staggering.

Since roller bearings roll the load instead of slide it, the hot box probem is eliminated. Lubrication, inspection and general maintenance costs of roller freight are but a small percentage of the cost of friction freight. It is estimated that when all freight cars are equipped with roller bearings, the railroads will save $190 million a year—receive a return of 22% on their investment in roller bearings. Even so, the original cost of applying roller bearings to freight cars has been an obstacle to their use.

In an effort to overcome this obstacle, the Timken Company recently announced the development of a new journal bearing assembly which reduces the cost of applying roller bearings to freight cars from 18% to 25%. This should make the roller bearing application even more attractive than it has been in the past.

Interchange is another problem which will be solved when the railroads jointly agree to put a certain percentage of railroad cars on roller bearings every year. An alternate solution would be for the Association of American Railroads to establish a higher per diem rate for cars equipped with roller bearings. Since their earliest days, American railroads have teamed together to accomplish one great step in railroading after another—standard track gauge, interchange of freight cars, improved brakes, all-steel cars, passenger streamliners, automatic signal systems, improved power—the list is endless.

"Roller Freight," the next great step in railroading, will soon be added to this long list of accomplishments.

W. G. VOLLMER

President, The Texas & Pacific Railway Company

"The paramount fact about the economy at mid-year is that the recent decline in our economic activity has come to a halt."

This statement, which President Eisenhower made on Aug. 12 in connection with his mid-year report on the economic health of the nation, should prove reassuring to the American people.

W. G. Vollmer

It should serve, also, to reflect the ability of business and industry to maintain a high level of activity despite the downward readjustment in our economy.

In his report, the President presented a number of important facts . . . basic in character . . . to support his encouraging statement and to substantiate the view that the decline in our economy had about run its course and that the business outlook was improving.

At the conclusion of the Korean conflict, it was my conviction that the transition from a war to a more nearly peacetime economy would necessitate a downward readjustment in our economy. That was inevitable. At the same time, I was convinced that this transition should not prove serious or alarming.

It was obvious that this decline in our economy would produce a decrease in rail traffic. Consequently, the railroad industry, including the Texas and Pacific, showed a substantial decrease in both gross and net revenues during the first half of the year, compared with 1953.

In view of the firming up of our economy, as pointed out by the President, it is reasonable to assume that there should be an improvement in rail traffic the last half of the year over that of the first half. However, it is my opinion that this improvement is not likely to occur until sometime after Labor Day.

The general decline in our economy has reflected itself in the business activity of the Southwest, as was to be expected. Nevertheless, industrial expansion has continued, although at a slightly modified pace as compared with 1953. Meanwhile, population growth has moved ahead substantially.

This industrial and population growth of the Southwest should continue unabated for many years, a condition which undoubtedly will contribute to the welfare of the Texas and Pacific, as well as the other railroads of this expanding region.

I am mindful of the fact that the present, as well as the future, holds many difficult problems for all of us. Nevertheless, I am convinced that the structure of our economy is sound and that the long range business outlook is good.

L. L. WHITE

President, Nickel Plate Road

Unexpectedly large inventories, consumed at a relatively low rate, brought about a greater decline in the volume of rail traffic than was anticipated for the first half of 1954.

On the Nickel Plate, carloadings were 17.7% lower than for the corresponding period of 1953; revenues were off 15.51%; and net income dipped 35.54%.

L. L. White

Stabilizing influences became apparent in May and June, and these became somewhat stronger in the month of July. For the first seven months of this year, carloadings were off 17.0%, compared with the corresponding period last year, while revenues were down 15.24% and net income 35.1%.

Steel production, a major determinant of the prosperity of the railroads, has not climbed as rapidly as expected. Nevertheless, it seems to be firming currently, and there are some prospects for an upturn as the automotive industry plans production of new models. The greatest single support of the economy at the moment appears to be the construction industry. Expenditures for new construction for each of the months of the first half are reported greater than for the same month a year ago.

In view of these conditions, a gradual upturn in business for the railroads seems probable in the fourth quarter. While it would be folly to predict the degree of business recovery the railroads may experience, it can be said safely that it will depend upon the recovery of the steel industry and a continuing high level in construction work.

Both the immediate and long-range future of the railroads would be enhanced by the elimination of subsidies to other forms of transportation and by the removal of regulations, adopted many years ago, which restrict efficient railroad operation under today's highly competitive conditions in the transportation industry. On the plus side is the recent inauguration of trailer-on-flatcar service in the eastern territory. This enables the railroads to provide door-to-door pick-up and delivery service on fast schedules at attractive rates and with reduced weight requirements. The Nickel Plate has high hopes for recapturing, through its trailer-on-flatcar service, some of the business lost to competitors in the past decade.

As for the longer view, the railroads will face new problems with completion of the St. Lawrence Seaway, projected for 1960. Rail carriers in the eastern territory undoubtedly will suffer the loss of some long-haul traffic from coastal ports to inland points. However, these same rail carriers now own and operate extensive and expensive Great Lakes dock facilities, which are more than adequate to handle expanding trade at lake ports. It is far too early to predict how seriously the Seaway will affect the volume of rail traffic among the eastern roads, but it is probable that some losses can be offset partly by advance planning for the handling of increased freight tonnages arriving by lake and ocean vessels at the Great Lake ports.

Continued from page 2

The Security I Like Best

tral Railroad were covered in every year, the average being 3.80 times. To the extent that this figure is after Federal income taxes, an accounting procedure prescribed by the Interstate Commerce Commission, this coverage is considerably understated. On an adjusted basis, present requirements were earned in every year since 1936 with the exception of a single year. In its plan of reorganization, the Commission recognized this aspect and mentioned the fact that these bonds "Should intrinsically be worth approximately their principal amount."

Financially, Wisconsin Central occupies a strong position. As of April 30, 1954 current assets were $7,908,713 and current liabilities were $2,754,044, a ratio of 2.87. Net working balances were $5,144,699. Included in the current assets were cash and its equivalent of $2,789,159, an amount in excess of current liabilities exclusive of $1,466,830 special deposits. Further attesting to this road's financial strength is the relationship of its working balances to its fixed charges and maturing debt. Over the next three years these would require $4,483,860. Thus, if Wisconsin Central did no better than cover operating expenses, its working capital would be reduced but not exhausted.

Wisconsin Central 4s due 2004 are closely held, a factor which explains their inactivity marketwise. Although the Wisconsin Central 4s lack the seasoning of the older and more mature issues, this is more than compensated for by such factors as yield, growth and credit. The issue is outstanding at the low rate per mile of $16,400, a figure far below the average of all railroads in the United States ($33,400).

The Wisconsin Central 4s would be purchased not only for income, but for a possible adjustment in price that would more closely approximate several issues shown below.

The Wisconsin Central Income 4½s due 2029, currently selling around 70, yielding almost 7½%, have also good possibilities for appreciation, as it appears annual interest requirements could be covered practically twice over, if earnings continue as they have for the past few months.

In light of the foregoing, I consider Wisconsin Central Railroad Company first mortgage 4s a bond of investment stature with excellent appreciation possibilities. I currently favor it as the security I like best. The bonds are listed on the New York Stock Exchange.

	Index of Ton-Miles	Credit	Recent Price	Yield to Maturity
Balt. & Ohio 1st 4s 1975	114.20	1,050.45	97	4.20
New York Central Gen. 3½s 1997	95.27	738.15	77	4.64
Reading Gen. 3⅛s 1985	86.70	1,028.92	85	3.97
Northern Pacific Gen. 3s 2047	162.45	1,088.83	76½	3.97
Erie 1st 3⅛s 2000	84.08	1,136.35	88	3.82
Wisconsin Central 4s 2004	139.41	1,290.93	83	4.82

World Bank Reports Increased Profit

Net income for fiscal year ended June 30 of $20 million compares with $18 million in earlier period. Loans made during year totaled $324 million, bringing total commitments as of June 30 to slightly under $2 billion. Repayments on loans totals $21 million and borrowings by the bank through bond issues amounted to $221 million.

The International Bank for Reconstruction and Development reports a net income of $20 million for the fiscal year ended June 30, 1954, compared with $18 million for the preceding fiscal year.

This income was placed in the Supplemental Reserve against Losses on Loans and Guarantees, and raised the Reserve to $97 million. Loan commissions amounted to $12 million and were credited to the bank's Special Reserve, increasing that Reserve to $49 million.

Total reserves at the end of the fiscal year were $146 million.

Gross income, exclusive of loan commissions, was $50 million, compared with $43 million in the preceding year. Expenses totaled $30 million including $6 million of administrative expenses and $24 million of bond interest and other financial expenses.

The bank made 26 loans in 16 countries totaling the equivalent of $324 million during the year, bringing total loan commitments at June 30 to $1,914 million. The loans were made in Australia, Brazil, Chile, Colombia, Ecuador, French West Africa, Iceland, Italy, Japan, Nicaragua, Norway, Pakistan, Panama, Peru, Turkey and the Union of South Africa. Disbursements were $302 million, compared with $227 million during the preceding year. Cumulative disbursements to June 30 amounted to $1,406 million.

All repayments of principal due during the year were made, and some borrowers made payments in advance. A total of $21 million was paid by borrowers. By June 30 a total of $57 million had been repaid by borrowers on all bank loans.

Five bond issues amounting to a total of $221 million were offered during the year. These included two issues in the United States of $50 million and $100 million respectively, two issues of 50 million Swiss francs each in Switzerland, and an issue of Canadian $25 million in Canada. An additional amount equivalent to $11 million was received during the year from a Swiss franc issue offered in June, 1953. Total issues of the bank outstanding on June 30 amounted to $777 million.

During the year, the bank sold $34 million of securities from its loan portfolio, including $26 million without the bank's guarantee. The cumulative total of these sales at June 30 was $105 million, of which $47 million were sales without guarantee.

Haiti and Indonesia became members of the bank during the year. On June 30, 56 countries were members of the bank, and the total of subscribed capital was $9,149 million.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James H. Copeland, Jr. has become connected with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

With F I F Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Frances E. Hartman has joined the staff of F I F Management Corporation, 444 Sherman Street.

With F. I. Du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — James V. Martinello, Jr. has been added to the staff of Francis I du Pont & Co., 121 Southeast Second Avenue.

T. Nelson O'Rourke Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla.—Mrs. Elizabeth S. Clayton has joined the staff of T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard.

Join Griffin McCarthy

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Simon Deutsch and Thelma A. Smock have become associated with Griffin McCarthy, First Federal Building. Mr. Deutsch was previously with Atwill and Company.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Kenneth A. Dean is now with King Merritt & Co., Inc., 478 First Avenue, North.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 29	§62.7	*61.8	64.2	93.4
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 29	1,496,000	*1,474,000	1,532,000	2,106,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 13	6,157,500	6,153,450	6,297,500	6,594,750
Crude runs to stills—daily average (bbls.)	Aug. 13	¶6,735,000	6,744,000	6,969,000	7,092,000
Gasoline output (bbls.)	Aug. 13	23,545,000	23,756,000	23,837,000	25,043,000
Kerosene output (bbls.)	Aug. 13	1,926,000	1,975,000	2,122,000	1,993,000
Distillate fuel oil output (bbls.)	Aug. 13	10,238,000	9,619,000	10,086,000	10,108,000
Residual fuel oil output (bbls.)	Aug. 13	7,597,000	7,485,000	7,895,000	8,635,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 13	156,328,000	156,808,000	161,786,000	141,655,000
Kerosene (bbls.) at	Aug. 13	33,105,000	32,539,000	30,318,000	32,167,000
Distillate fuel oil (bbls.) at	Aug. 13	107,926,000	105,077,000	94,794,000	110,169,000
Residual fuel oil (bbls.) at	Aug. 13	55,673,000	55,238,000	53,355,000	50,425,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 14	685,277	667,592	694,545	807,622
Revenue freight received from connections (no. of cars)	Aug. 14	576,936	573,645	539,647	658,258
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 19	$258,939,000	$419,221,000	$259,290,000	$259,040,000
Private construction	Aug. 19	157,099,000	268,697,000	136,166,000	154,195,000
Public construction	Aug. 19	101,840,000	150,524,000	123,124,000	104,845,000
State and municipal	Aug. 19	83,094,000	133,893,000	110,279,000	81,184,000
Federal	Aug. 19	18,746,000	16,631,000	12,845,000	23,661,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 14	7,760,000	7,400,000	7,200,000	9,531,000
Pennsylvania anthracite (tons)	Aug. 14	474,000	472,000	539,000	575,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 14	96	92	88	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 21	9,207,000	8,996,000	9,103,000	8,432,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 19	246	233	188	122
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 17	4.801c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Aug. 17	$56.59	$56.59	$56.59	$56.76
Scrap steel (per gross ton)	Aug. 17	$28.67	$27.83	$26.83	$43.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 18	29.700c	29.700c	29.700c	29.300c
Export refinery at	Aug. 18	29.375c	29.400c	29.575c	28.825c
Straits tin (New York) at	Aug. 18	92.500c	93.250c	97.750c	83.000c
Lead (New York) at	Aug. 18	14.000c	14.000c	14.000c	14.000c
Lead (St. Louis) at	Aug. 18	13.800c	13.800c	13.800c	13.800c
Zinc (East St. Louis) at	Aug. 18	11.000c	11.000c	11.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 24	100.22	100.31	100.63	92.97
Average corporate	Aug. 24	110.70	110.70	110.34	103.80
Aaa	Aug. 24	115.63	115.82	115.43	108.34
Aa	Aug. 24	112.56	112.75	112.37	106.04
A	Aug. 24	110.70	110.52	109.79	103.30
Baa	Aug. 24	104.66	104.31	104.14	98.25
Railroad Group	Aug. 24	109.24	109.24	108.88	102.13
Public Utilities Group	Aug. 24	110.88	111.07	110.70	103.13
Industrials Group	Aug. 24	112.00	111.81	111.44	106.21
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 24	2.48	2.47	2.44	3.00
Average corporate	Aug. 24	3.13	3.13	3.15	3.52
Aaa	Aug. 24	2.87	2.86	2.88	3.26
Aa	Aug. 24	3.03	3.02	3.04	3.39
A	Aug. 24	3.13	3.14	3.18	3.55
Baa	Aug. 24	3.47	3.49	3.50	3.86
Railroad Group	Aug. 24	3.21	3.21	3.23	3.62
Public Utilities Group	Aug. 24	3.12	3.11	3.13	3.56
Industrials Group	Aug. 24	3.06	3.07	3.09	3.38
MOODY'S COMMODITY INDEX	Aug. 24	418.3	424.4	427.1	422.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 14	237,882	277,574	192,054	232,550
Production (tons)	Aug. 14	248,147	245,341	199,338	260,535
Percentage of activity	Aug. 14	92	91	71	98
Unfilled orders (tons) at end of period	Aug. 14	401,966	416,606	411,856	583,898
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 20	106.99	106.85	107.04	106.00
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of shares	Aug. 7	1,317,792	1,162,832	971,410	654,389
Dollar value	Aug. 7	$59,341,836	$52,515,993	$45,818,129	$30,299,003
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Aug. 7	1,361,562	1,150,209	918,902	529,602
Customers' short sales	Aug. 7	11,491	8,633	6,425	3,039
Customers' other sales	Aug. 7	1,350,071	1,141,576	912,477	526,563
Dollar value	Aug. 7	$59,164,651	$48,237,271	$39,815,234	$21,302,648
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 7	461,380	348,260	265,400	149,190
Short sales	Aug. 7	------	------	------	------
Other sales	Aug. 7	461,380	348,260	265,400	149,190
Round-lot purchases by dealers—					
Number of shares	Aug. 7	397,580	367,620	326,310	272,230
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	July 31	542,010	485,520	407,260	252,660
Other sales	July 31	12,994,700	12,927,560	10,368,110	5,850,830
Total sales	July 31	13,536,710	13,413,080	10,775,370	6,103,490
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 31	1,512,300	1,513,580	1,242,220	666,180
Short sales	July 31	332,410	290,580	228,210	105,430
Other sales	July 31	1,208,540	1,261,610	970,470	580,210
Total sales	July 31	1,540,950	1,552,190	1,198,680	685,640
Other transactions initiated on the floor—					
Total purchases	July 31	438,460	456,350	373,440	106,900
Short sales	July 31	22,100	22,120	24,800	14,000
Other sales	July 31	386,640	454,260	305,810	119,440
Total sales	July 31	408,740	476,380	330,610	133,440
Other transactions initiated off the floor—					
Total purchases	July 31	475,360	400,602	370,098	280,470
Short sales	July 31	80,650	47,220	58,800	43,050
Other sales	July 31	529,923	476,200	530,080	255,837
Total sales	July 31	610,573	523,420	588,880	298,887
Total round-lot transactions for account of members—					
Total purchases	July 31	2,426,120	2,370,532	1,935,758	1,053,550
Short sales	July 31	435,160	359,920	311,810	162,480
Other sales	July 31	2,125,103	2,192,070	1,806,360	955,487
Total sales	July 31	2,560,263	2,551,990	2,118,170	1,117,967
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 17	110.3	110.2	110.2	110.8
Farm products	Aug. 17	95.4	95.6	95.8	97.7
Processed foods	Aug. 17	106.1	105.2	105.5	105.3
Meats	Aug. 17	91.2	88.6	92.1	95.7
All commodities other than farm and foods	Aug. 17	114.3	114.3	114.2	114.8

*Revised figure. ¶Includes 695,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.

‡Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$225,154,000	$246,264,000	$212,686,000
Exports	135,809,000	142,919,000	115,327,000
Domestic shipments	18,072,000	15,362,000	10,696,000
Domestic warehouse credits	72,777,000	80,970,000	21,226,000
Dollar exchange	91,964,000	59,715,000	39,990,000
Based on goods stored and shipped between foreign countries	45,581,000	43,396,000	35,034,000
Total	$589,357,000	$588,626,000	$434,959,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of May: (000's omitted):			
All building construction	$898,656	$949,948	$919,605
New residential	495,032	531,990	484,384
New non-residential	296,351	305,242	318,846
Additions, alterations, etc.	107,273	112,716	116,375
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	165	208	164
Wholesale number	99	89	73
Retail number	417	455	380
Construction number	95	132	54
Commercial service number	80	81	43
Total number	856	965	724
Manufacturing liabilities	$9,986,000	$18,454,000	$17,139,000
Wholesale liabilities	5,140,000	4,878,000	7,410,000
Retail liabilities	9,622,000	11,722,000	11,282,000
Construction liabilities	4,958,000	4,514,000	2,789,000
Commercial service liabilities	2,524,000	2,045,000	1,210,000
Total liabilities	$32,230,000	$41,613,000	$39,830,000
CONSUMER PRICE INDEX — 1947-49=100 — Month of June:			
All items	115.1	115.0	114.5
Food	113.8	113.3	113.7
Food at home	113.3	112.8	113.7
Cereals and bakery products	121.3	121.3	118.9
Meats, poultry and fish	111.1	111.0	111.3
Dairy products	102.9	103.5	107.5
Fruits and vegetables	117.1	114.6	121.7
Other foods at home	115.2	114.5	110.9
Housing	118.9	118.9	117.4
Rent	128.3	128.3	123.3
Gas and electricity	107.6	107.7	106.4
Solid fuels and fuel oil	120.9	120.9	121.8
Housefurnishings	105.8	105.9	108.0
Household operation	117.2	117.2	115.4
Apparel	104.2	104.2	104.6
Men's and boys'	107.0	107.3	107.2
Women's and girls'	98.5	98.5	99.2
Footwear	116.3	115.9	115.3
Other apparel	91.0	90.9	92.3
Transportation	128.9	129.1	129.4
Medical care	125.1	125.1	121.1
Personal care	112.7	113.0	112.6
Reading and recreation	106.4	106.4	107.8
Other goods and services	120.1	120.1	118.2
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Weekly Earnings—			
All manufacturing	$70.92	$71.68	$71.33
Durable goods	76.02	*78.40	76.70
Non-durable goods	64.57	*64.74	63.76
Hours—			
All manufacturing	39.4	39.6	40.3
Durable goods	39.8	*40.0	40.8
Non-durable goods	38.9	*39.0	39.6
Hourly Earnings—			
All manufacturing	$1.80	$1.81	$1.77
Durable goods	1.91	1.91	1.88
Non-durable goods	1.66	*1.66	1.61
GAS APPLIANCE MANUFACTURING ASSOCIATION—Month of July:			
Automatic gas water heater shipments (units)	189,500	208,400	173,800
Domestic gas range shipments (units)	129,000	152,000	159,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of July:			
Seasonally adjusted	124	124	137
Unadjusted	117	124	129
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of May:			
Net railway operating income	$58,880,854	$60,051,252	$95,387,443
Other income	18,322,724	18,547,881	19,702,342
Total income	77,203,578	78,589,133	115,089,785
Miscellaneous deductions from income	3,485,763	3,429,020	4,197,254
Income available for fixed charges	73,717,815	75,160,113	110,892,531
Income after fixed charges	41,722,927	41,696,428	77,202,641
Other deductions	3,063,716	2,987,726	2,787,462
Net income	38,659,211	38,708,702	74,415,179
Depreciation (way & structure & equipment)	43,864,475	43,798,520	41,814,780
Federal income taxes	16,167,905	21,669,324	50,882,877
Dividend appropriations:			
On common stock	29,413,788	12,529,801	33,621,076
On preferred stock	9,360,821	2,179,917	6,285,255
Ratio of income to fixed charges	2.30	2.25	3.29
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	$21,666,300	$45,463.200	------
Net purchases	------	------	$7,921,500
U. S. GOVT. STATUTORY DEBT LIMITATION —As of July 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	270,982,629	271,259,599	272,669,407
Guaranteed obligations not owned by the Treasury	20,900	81,441	62,943
Total gross public debt and guaranteed obligations	$271,004,530	$271,341,040	$272,732,350
Deduct—other outstanding public debt obligations not subject to debt limitation	538,122	550,735	584,029
Grand total outstanding	$270,466,408	$270,790,304	$272,148,321
Balance face amount of obligations, issuable under above authority	4,533,591	4,209,695	2,851,678

Continued from page 15

Electronics in Banking Operations

istic near term objective. True enough, the electronic computer had made high speed computation and data manipulation an accomplished fact. But in business routines, it is not in this area that our biggest problems are located. In short, there are important differences between the nature of scientific and business computation. In scientific computation there is much complex calculation based on a relatively small amount of imput data. In business there is a great mass of data to be handled, but the arithmetic is fairly simple. Our major obstacles are all the bothersome tasks which must be done to get the raw business data together and to prepare it for processing. Almost equally troublesome are the tasks required to put the data in usable form after it has been processed. Moreover, before the techniques so successfully used in science can be more widely applied to business, other problems must be solved. Such problems as design, cost, performance of components, inadequate memory storage and, strangely enough, more speed than we need.

Possible vs. Practical Solutions

At every turn we must distinguish between solutions that are possible and solutions that are practical. The distinction is particularly important, for at least on a theoretical basis most engineers concede that electronics can be made to do most any clerical job. That is not to say, however, that an electronic device is necessarily the most efficient means of doing it. Indeed, to employ electronics for certain phases of data processing work is rather like the proverbial use of a pile driver on a thumb tack.

We may have tremendous speed, but only rarely can we use it. For example, we may have an automobile able to do 100 miles an hour. We are flashing along a two-lane highway and come upon a truck doing 10 miles an hour. Oncoming traffic prevents our passing. Whatever the potential power of our car our speed is in fact just 10 miles and hour and no more. So it is with electronic computation. The difficulty is to put in problems and take out the answers at a speed nearer to that at which the calculation is done. To be sure, as I said, electronic techniques will become increasingly important factors in the business machine of tomorrow. But then as now, we feel that it is vital to have a sense of proportion about them; that their merits must be carefully weighed against those of other techniques available to us. The all important purpose is to design equipment which will do the best possible job at the least possible cost.

Some Legal Problems

Again let me remind you of some legal problems. Auditing practices have been built on a language everyone can understand. But, how can you audit electronic impulses? In the one case we are dealing with printed records, with figures everyone can understand. In the other, it is a question of codes which to the average man might as well be Sanskrit. It took us centuries to get away from the bound book. The loose leaf ledger is a relatively recent development and even now in many companies and in many state institutions in the United States the bound book is still required. In microfilm we have a similar problem. Only in recent months have the courts begun to accept microfilm copies as best evidence. I don't want to leave you with the impression that I am pessimistic. Progress is, in fact, being made, and it will continue at an accelerated pace. But final solutions will take time. It is against the background of realism, however, that I want to talk a little about some of the progress currently being made.

Early in our research effort, field studies showed that some of the most burdensome clerical costs were centered not in the actual processing of business data, but in the organization, handling and other work necessary to prepare the raw business data for processing by a machine. Indeed, in most systems, preliminary work requires by far the largest percentage of people in the entire operation. For these reasons, Burroughs has devoted a large part of its budget to the development of equipment and techniques that would either reduce raw data to coded form for automatic processing, or would produce coded media as a by-product of some necessary manual operation.

Some New Accounting Devices

Typical of the devices which have and will result from this effort are first, an accounting machine with punched paper tape attachment, and second, a device which automatically reads numbers and punches a card to correspond.

The accounting machine with punched paper tape output uses our Sensimatic Accounting Machine as a recording means and combines this function with that of high-speed automatic tape punching.

The significance of this equipment is apparent if we think of any branch office whose transactions must eventually be brought into a central accounting operation. Traditionally, such procedures have represented a catch-all for clerical errors, record tampering, rehandling of information, and other forms of waste. With this new device, any or all data indexed into the keyboard, or computed by the accounting machine are automatically punched into the tape. The tape, when relayed to the central office, constitutes an error proof record for further use in a machine accounting system. Manual rehandling of the information is thus eliminated, time is saved, and overall efficiency substantially increased.

There are a number of applications for this equipment I could describe for you. But perhaps you would be most interested in the one developed for use in a savings bank operation.

This application was designed to solve a twofold problem common to all savings banks. That problem is first, to make the fastest possible entry in passbooks in order that customers do not have to wait in line; second, to record the information simultaneously in such a way that it may be recorded later in the book of accounts without the expense of interim handling. The Sensimatic was, of course, developed to satisfy precisely such requirements as fast window transactions. Now, in addition, the machine automatically records the information on tape as a by-product of the passbook entry. The tape can be used subsequently to create punched cards if that kind of system is used. Equally important, the equipment is sufficiently flexible to be adapted to other systems as they prove practical and come into general use.

Another problem lies in the many instances where data cannot be introduced into a system as a by-product of a necessary manual operation, and where, for legal or other reasons, the source document cannot be altered by the addition of a visible code which would permit automatic processing. A good example would be a traveler's cheque — a document which had to be established in its present form to constitute an acceptable medium of exchange. Clearly one essential requirement in any automatic system will be devices to read uncoded information from source documents such as these.

Burroughs has built an electronic device which, we believe, represents a significant step in the development of equipment of this kind. This device will read serial numbers from traveler's cheques and punch a corresponding card. The equipment is entirely automatic. The operator merely places a stack of traveler's cheques in the hopper, presses a button, and cards with serial numbers corresponding to the cheque, are punched automatically at the rate of 7,200 per hour. This equipment will be field tested soon. If such a device can read directly uncoded information on a traveler's cheque, it is likely to read similar uncoded information. Ultimately, therefore, we believe this equipment will prove capable of many other useful applications.

One extremely difficult problem that remains involves documents, such as checks, where the physical document and the information it contains must, for one reason or another, remain together. The variety of sizes and thicknesses in such documents does not lend itself easily to automatic handling. However, much encouraging work is being done to speed the solution of this kind of problem.

The Giant "Electronic Brain"

Another type of machine that seems at first glance ideal for use in banking and business is the giant electronic brain. You have seen pictures of these machines—large rooms full of equipment in racks resembling a library of wire, radio tubes and flashing lights. Seemingly with little human assistance they whir and click a few minutes and solve problems that would take men years to figure out. One might think they would be ideal for working out detailed year-end statements or even a complicated income tax return. But it is our belief that these electronic computers are not the devices from which to develop the kind of business machine that a great majority of business firms are waiting for. What is needed, we believe, is an entirely new system using the principle of the computer, yet built of less expensive parts and operating at lower speeds. We feel that the ideal system would use either source documents themselves or cards or tape punched simultaneously with the preparing of the source documents. Sacrificing some of the extremely high speeds of the computer, the machine we visualize should take the information, perform the necessary operations on it, and turn out finished invoices, statements, etc., at a high rate of speed. All this automatically without any human interference.

During the course of our work, Burroughs has built two large-scale electronic digital computers and are now at work on a third which, on completion, will be the largest in the world. These computers have been of considerable help in the design and testing of various components originally conceived with their possible suitability to the ideal business system of the future. The design of the two now in operation—the Burroughs Laboratory Computer, and the UDEC, the heart of Wayne University's Computation Laboratory in Detroit—is unique in that they are built in units, like bricks in a house. This is important, both in cost and building-time requirements. The UDEC, for example, was in operation three months after the decision to build had been made. Equally significant, we believe, is the fact that the design of the pulse control equipment—the "building blocks," or the units, of which the computer is made—allows flexibility that will make it possible for us to add new developments as they come along.

At Burroughs' Research Center in Philadelphia, much emphasis is being placed on increasing the amount of information that a computer can remember. Looking to lower costs, too, a great deal is being done to standardize components, to reduce their size and to substitute slower, cheaper and more reliable magnetic parts for the more costly and temperamental vacuum tubes.

New Type of Electronic Computer

Progress in some of these long range efforts was demonstrated in an entirely new type of electronic computer, the E 101. Released in May of this year, its design has made possible a number of features which may well be prophetic of the nature of future developments in this line. The machine is wholly contained in a cabinet about the size of a desk. It is low in cost; low also in vacuum tube and power requirements. Its simple imput-output mechanism is based on that of a conventional accounting machine. No special training is required to operate the machine, and anyone capable of setting up a problem on a mechanical calculator could do so on the E 101.

Now this computer was designed primarily as a tool for scientists and engineers. However, it also has a number of applications on certain types of business office problems such as actuarial work, foreign exchange and quality control. It figures tax assessments in one-third the regular time. The complexities of a problem such as determining the power capacity of a hydro electric system involving a dozen or so dams is reduced to a few minutes work by the E 101 computer. I feel that the research expended on the development of this machine will prove of inestimable service to us in hastening the arrival of similar machines designed expressly for business purposes.

As I have already suggested, a traditional bottleneck in most business systems is located at the end of the line, so to speak, where the results of calculations must be printed on such forms as invoices, statements, and reports. While this final output varies among different businesses, it is an accepted fact that the task of creating documents can be as costly, if not more so, than the job of processing the data the documents contain.

The release of Burroughs' new high-speed printing and accounting machine, the Series G, last spring marks what we believe to be a significant milestone in the development of integrated document producing equipment. The new line of machines prints at a speed of over 43,000 characters a minute, the fastest printing process yet developed for accounting purposes. It also represents the first business machine equipment in which printing and punching can be accomplished simultaneously and in a single operation.

Just to give you an idea of the capacity of this machine for high-speed integration, in a utility billing operation, the Series G can have bills for over 2,200 families ready for the postman every ten minutes. In so doing, it accomplishes in one integrated run the different tasks which in many utility companies now require eight separate operations.

This line of machines has potential use in many kinds of businesses. As far as banking institutions are concerned, we believe that in the larger firms it will be able to fill a niche in such work as Personal Trust accounting, the printing of proxy notices, dividend check writing, and the writing of Warrant and Stock certificates.

Like the other developments I have mentioned, this machine is not committed only to the use of punched cards. The Series G can be readily adapted to other forms whenever it becomes desirable to do so.

These, then, are some of the projects which Burroughs has undertaken in electronics. To be sure, it will be some time before any of these devices will be suitable for really widespread use. But they all exist—today; they constitute a practical answer to many problems in mass data processing work. Let me say, too, that similar types of equipment will be coming along which can be justified in companies whose paperwork volume is less large. And you do not have to worry about the speed in which these new techniques will be developed and priced as low as possible. Free competition is taking care of that for you. But the tantalizing question, of course, is whether individual equipment can be eventually combined in one grand piece of machinery, some approximation of the automatic office of which we have heard so much. Burroughs' answer is that such a device should be considered the ultimate goal—the final culmination of an evolutionary trend in which the advances now known to us mark but an encouraging beginning.

Bosworth, Sullivan Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Dolan has become associated with Bosworth, Sullivan & Company, Inc., 660 Seventeenth Street. He was formerly with Kidder, Peabody & Co. in New York City.

M. F. Schroeder Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Melvin F. Schroeder is engaging in a securities business from offices at 3246 Niagara Street.

With Claude H. Fendlason

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — J. B. Stafford has joined the staff of Claude H. Fendlason.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—William P. Roberts is now with Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ ABS Trash Co., Inc., Washington, D. C.
Aug. 19 (letter of notification) preorganization subscriptions for 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To redeem class A preferred stock, purchase land and equipment, erect building and for working capital. **Office** — 411 — 11th St., S. W., Washington, D. C. **Underwriter**—None.

Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. **Price**—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par ($1 per share); and to all other policyholders in the insurance companies, $1.25 per share. **Proceeds**—To expand in the small loan field. **Underwriter**—None.

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

★ American Oil Co.
Aug. 17 filed $5,300,000 of participations in the Employees Savings Plan of company and subsidiaries and 68,720 shares of capital stock of Standard Oil Co. (Indiana) to be offered eligible employees of American and subsidiaries participating in plan.

★ American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares being offered for subscription to holders of outstanding preferred stock of record July 7 on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis; rights to expire on Sept. 24. **Price**—For preferred, $48 per share; and for common $12.50 per share. **Proceeds**—To reduce bank loans. **Underwriter**—None.

★ Arizona Motels, Inc., Phoenix, Ariz.
Aug. 16 (letter of notification) 25,000 shares of 8% preferred stock (par $1) and 75,000 shares of common stock (par $1). **Price**—At par. **Proceeds**—To acquire and operate de luxe motels. **Office**—1139 E. McDowell Road, Phoenix, Ariz. **Underwriter**—None.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

● Banner Mining Co., Lordsburg, N. Mex.
June 30 (letter of notification) 25,000 shares of common stock (par $1) being offered first to stockholders. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

● Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York. Statement withdrawn.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Black Hawk Uranium & Metals Co.
Aug. 9 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—136 S. State Street, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Buffalo Forge Co., Buffalo, N. Y.
July 7 filed 85,000 shares of common stock (par $1). **Price**—To be related to current market price at time of offering. **Proceeds**—To 11 selling stockholders. **Underwriter**—Hornblower & Weeks, New York. **Offering**—Postponed indefinitely.

California Electric Power Co.
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment **Proceeds** — For construction costs, etc. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred. (See also proposed issue of 107,000 shares of common stock in these columns.)

California Electric Power Co.
July 21 (letter of notification) 8,000 shares of common stock (par $1). **Price** — At market (on the American Stock Exchange). **Proceeds** — To Mono Power Co. (an affiliate) to retire indebtedness. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

California Electric Power Co. (8/31)
Aug. 9 (filed 170,000 shares of common stock (par $1). **Proceeds**—To retire 37,600 shares of $2.50 sinking fund preferred stock (par $50) shortly after Oct. 1, 1954, at $51.50 per share and accrued dividends. **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly). **Bids**—Tentatively expected to be received up to 9 a.m. (PDT) on Aug. 31 in Los Angeles, California.

★ California Water Service Co. (9/13-14)
Aug. 23 filed 60,000 shares of cumulative preferred stock, series I (par $25). **Price**—To be supplied by amendment. **Proceeds**—To finance construction program and for general corporate purposes. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Carolina Resources Corp., Franklin, N. C.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip

NEW ISSUE CALENDAR

August 27 (Friday)
Rocky Mountain Uranium Corp.________Common
(Peter Morgan & Co.) $299,000

August 30 (Monday)
General Bronze Corp.___________________Common
Offering to stockholders—underwritten by Lehman Brothers) 32,933 shares

August 31 (Tuesday)
California Electric Power Co.______________Common
(Bids 9 a.m. PDT) 170,000 shares

Grand Union Co.________________________Debentures
(Offering to stockholders—underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.) about $5,000,000

Southern Bell Telephone & Telegraph Co.___Debs.
(Bids 11 a.m. EDT) $55,000,000

Techbuilt Homes, Inc.____________________Common
(Aetna Securities Corp.) $300,000

September 1 (Wednesday)
Pacific Telephone & Telegraph Co.________Common
(Offering to stockholders—no underwriting)

Peoples Securities Corp.________________Common
(Offering by company—no underwriting) $817,080

September 8 (Wednesday)
Montana-Dakota Utilities Co.______________Bonds
(Bids to be invited) $12,000,000

Petaca Mining Corp._______Preference & Common
(Barrett Herrick & Co., Inc.) $900,000

Supermarket Merchandisers of America Inc.__Com.
(Milton D. Blauner & Co., Inc.) $299,550

Western Maryland Ry.____________________Bonds
(Bids to be invited) $16,000,000

September 9 (Thursday)
Illinois Central RR.______________________Bonds
(Bids to be invited) $60,000,000

Thompson-Starrett Co., Inc.____________Preferred
(Blair & Co., Inc. and Emanuel Deetjen & Co.) $1,450,000

September 10 (Friday)
Loma Uranium Corp._____________________Common
(Peter Morgan & Co.) $1,250,000

September 13 (Monday)
California Water Service Co._____________Preferred
(Dean Witter & Co.) $1,500,000

Standard Coil Products Co., Inc.___________Common
(A. C. Allyn & Co., Inc. and Dempsey & Co.) 189,655 shares

September 14 (Tuesday)
Lindsay Chemical Co.____________________Common
(Lehman Brothers and Farwell, Chapman & Co.)

Oklahoma Gas & Electric Co.____________Preferred
(Bids 11 a.m. EDT) $7,500,000

Western Development Co.________________Common
(J. G. White & Co., Inc.) $1,500,000

September 15 (Wednesday)
Georgia Power Co.______________________Preferred
(Exchange offer to preferred stockholders—underwritten by The First Boston Corp.; Merrill Lynch, Pierce Fenner & Beane; Union Securities Corp.; and Equitable Securities Corp.) $43,386,900

Glen-Gery Shale Brick Corp.______________Preferred
(P. W. Brooks & Co., Inc.; Lee Higginson Corp. and Warren W. York & Co., Inc.) $1,400,000

September 20 (Monday)
Columbus & Southern Ohio Electric Co.___Common
(Dillon, Read & Co. Inc. and The Ohio Company) 200,000 shares

Northern Pacific Ry._______________________Bonds
(Bids to be invited) $52,000,000

San Diego Gas & Electric Co._____________Common
(Offering to stockholders—underwritten by Blyth & Co., Inc) 800,000 shares

September 21 (Tuesday)
American Telephone & Telegraph Co.______Bonds
(Bids 11 a.m. EDT) $250,000,000

September 22 (Wednesday)
Tampa Electric Co._____________________Preferred
(Bids 11 a.m. EDT) $5,000,000

September 23 (Thursday)
Dayton Power & Light Co._________________Bonds
(Bids to be invited) $15,000,000

September 28 (Tuesday)
New England Electric System____________Common
(Offering to stockholders—bids to be invited) 910,883 shares

Northern States Power Co.________________Bonds
(Bids to be invited) $20,000,000

September 29 (Wednesday)
Columbus & Southern Ohio Electric Co.____Bonds
(Bids 11:30 a.m. EST) $10,000,000

September 30 (Thursday)
Louisville & Nashville RR.________________Bonds
(Bids to be invited) $30,350,000

National City Bank of New York________Common
(Offering to stockholders—underwritten by The First Boston Corp.) $131,250,000

October 4 (Monday)
Public Service Co. of Colorado_____________Bonds
(Bids noon EST) $20,000,000

October 5 (Tuesday)
Indiana & Michigan Electric Co.____________Bonds
(Bids 11 a.m. EST) $16,500,000

Indiana & Michigan Electric Co.__________Preferred
(Bids 11 a.m. EST) $4,000,000

Wisconsin Power & Light Co._______________Bonds
(Bids to be invited) $18,000,000

October 6 (Wednesday)
Sierra Pacific Power Co.________________Common
(Stone & Webster Securities Corp. and Dean Witter & Co.) 34,807 shares

October 19 (Tuesday)
New York Telephone Co.___________________Bonds
(Bids to be invited) $75,000,000

October 26 (Tuesday)
Savannah Electric & Power Co.
Bonds, Debs. & Preferred
(Bids to be invited) $11,000,000

processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

Cessna Aircraft Co. (Kansas)
Aug. 9 (letter of notification) 1,700 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—To Getto McDonald, a director. **Underwriter**—Harris, Upham & Co., New York.

Cherokee Industries, Inc., Oklahoma City, Okla.
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

Cherokee Utah Uranium Corp.
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chief Consolidated Mining Co.
June 24 filed 1,252,408 shares of preferred stock (par 50 cents) and 626,204 preferred stock purchase warrants being offered for subscription by common stockholders of record Aug. 2 on the basis of one share of preferred and an option to purchase one additional share of preferred stock (at 50 cents per share) for each two common shares held (with an oversubscription privilege); rights to expire on Sept. 30. **Price**—55 cents per unit. **Proceeds**—For development program and working capital and general corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—None. Statement effective July 28.

★ **Colorado Sports Racing Association**
Aug. 19 (letter of notification) 297,995 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction of track and working capital. **Office** — Equitable Bldg., Denver, Colo. **Underwriter** — General Investing Co., same city.

★ **Confederate States Life Insurance Co.**
Aug. 9 (letter of notification) 30,000 shares of common stock (par $1.75). **Price**—$10 per share. **Proceeds**—For operating capital. **Office**—Empire Building, Birmingham, Ala. **Underwriter**—None.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Danaho Refining Co., Houston, Texas
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

Danaho Refining Co., Houston, Texas
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **Underwriter**—None.

★ **Dayton Power & Light Co. (9/23)**
Aug. 23 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Bids**—Expected to be received on Sept. 23.

Dow Chemical Co.
Aug. 5 filed 200,000 shares of common stock (par $5) to be offered for subscription by employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Eaton Factors Co., Inc.**
Aug. 17 (letter of notification) $250,000 of 4% three-year debenture notes. **Price**—$847.73 per $1,000 note. **Proceeds** — For loans, etc. **Office** — 475 Fifth Avenue, New York 17, N. Y. **Underwriter**—None.

Eureka Uranium Corp., Cheyenne, Wyo.
July 12 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office**—2215 Duff Ave., Cheyenne, Wyo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

First Railroad & Banking Co. of Georgia
July 30 filed 42,000 units, each consisting of one share of common stock, one warrant to subscribe at $4.10 per share to 13 shares of common stock, and one $250 5% collateral trust bond due Aug. 1, 1988, to be offered for each of the 42,000 shares of outstanding common stock pursuant to plan of readjustment; also 756,000 shares of common stock, which includes 546,000 shares subject to subscription upon exercise of warrants and 210,000 shares to be offered to public at $4.50 per share through Johnson, Lane, Space & Co., Savannah, Ga., who will also purchase such of the 546,000 shares of common stock not sold upon exercise of warrants.

Four Corners Uranium Corp., Denver, Colo.
July 26 filed 500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To repay bank loans, note and on contracts for purchase of certain claims and properties; and for other general corporate purposes. **Underwriter**—Campbell, McCarty & Co., Detroit, Mich.

★ **Four States Uranium Corp., Grand Junction, Colo.**
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ **Foutz Uranium Mining Co., Inc.**
Aug. 16 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—355 Kober Building, Albuquerque, N. Mex. **Underwriter**—None.

General Bronze Corp. (8/30)
Aug. 5 filed 32,933 shares of common stock (par $5) to be offered for subscription by common stockholders of record Aug. 27 on the basis of one new share for each 10 shares held; rights to expire on Sept. 13. **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Underwriter**—Lehman Brothers, New York.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected in September.

★ **General Nucleonics Corp.**
Aug. 18 (letter of notification) 59,500 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and working capital. **Office**—489 Fifth Avenue, New York, N. Y. **Underwriter** — George F. Breen, New York.

★ **Glen-Gery Shale Brick Corp., Reading, Pa. (9/15)**
Aug. 18 filed 140,000 shares of 6% cumulative first preferred stock (par $10) to be offered for public sale. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—P. W. Brooks & Co., Inc. and Lee Higginson Corp., both of New York; and Warren W. York & Co., Inc., Allentown, Pa.

★ **Golden Rule Uranium Corp., Denver, Colo.**
Aug. 19 (letter of notification) 28,998 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—For exploration and mining expenses. **Office**—Suite 614, Symes Bldg., Denver, Colo. **Underwriter**—None.

Grand Union Co. (8/31)
Aug. 11 filed approximately $5,000,000 of 15-year convertible subordinated debentures due 1969, to be offered for subscription by common stockholders on the basis of $100 of debentures for each 12 to 15 shares held on or about Aug. 31, 1954; rights to expire on Sept. 15. **Price**—To be supplied by amendment. **Proceeds**—For equipping new stores and remodeling and modernization of existing stores and other general corporate purposes. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

★ **Guaranty National Life Insurance Co., Houston, Texas**
Aug. 13 (letter of notification) preorganization certificates to 86,562 shares of class A stock (no par) and 14,427 shares of class B stock (no par), through offer of rescission. **Proceeds**—For capital and surplus account. **Underwriter**—None. Guaranty National Underwriters, Houston, Tex., filed for company.

Gulf Coast Western Oil Co.
July 22 (letter of notification) $299,000 of 6% convertible secured debentures. **Price**—At par. **Proceeds**—To pay present debt and for working capital. **Office**—916 Republic Bldg., Oklahoma City, Okla. **Underwriter**—Harrison & Co., Philadelphia, Pa.

• **Gulf States Utilities Co.**
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed. **Meeting**—Stockholders will vote Sept. 3 on new issue.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅝% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

★ **Infra Insulation, Inc.**
Aug. 19 (letter of notification) $250,000 of guaranteed bonds (not to exceed $50,000 principal amount to be sold annually). **Proceeds**—For working capital. **Office**—525 Broadway, New York, N. Y. **Underwriter**—None.

Justheim Petroleum Co., Salt Lake City, Utah
Aug. 7 (letter of notification) 200,000 shares of capital stock (par five cents), subject to outstanding options. **Price** — At market (estimated at 15 cents per share). **Proceeds**—To Clarence I. Justheim, President. **Office**—212 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

Kern Front Oil & Gas Corp.
Aug. 10 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—825 S. Serrano Avenue, Los Angeles, Calif. **Underwriter**—Farrell Securities Co., New York.

Keystone Fund of Canada, Ltd., Montreal, Canada
Aug. 2 filed 1,250,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

Ladoric Mines Ltd., Montreal, Canada
July 30 (regulation "D") 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For exploration, etc. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

★ **Lindsay Chemical Co. (9/14)**
Aug. 23 filed an issue of common stock (number of shares not given), which are to be offered for subscription by preferred and common stockholders on a pro rata basis. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters** — Lehman Brothers, New York; and Farwell, Chapman & Co., Chicago, Ill.

Loma Uranium Corp., Denver, Colo. (9/10)
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York.

★ **Lorain County Radio Corp., Lorain, Ohio**
Aug. 11 (letter of notification) 920 shares of common stock (no par). **Price**—$40 per share. **Proceeds**—For additions to property in Ohio. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

★ **Lovell United Telephone Co., Lovell, Me.**
Aug. 18 (letter of notification) 3,241.6 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To install dial switchboards. **Underwriter**—None.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mars Metal Corp., San Francisco, Calif.
July 23 filed 121,000 shares of class A stock (par 10 cents) and 3,000,000 shares of common stock. It is planned to sell at $2.50 per share 75,000 class A shares privately, the remaining 46,000 shares to be issued to provide working capital or funds for investment. Of the common stock, 320,000 shares are to be reserved for holders of class A stock; 172,000 shares for issuance at 10 cents per share pursuant to stock options given to certain key employees; and 100,000 shares are reserved for issuance at $1.50 per share during the years 1955-1957 upon the exercise of a like number of warrants granted to certain dealers in connection with public offering by F. W. Stephens Co., New York, of 199,000 class A shares. The registration statement may be amended to change the designation of the 121,000 shares of class A stock to class B stock. **Price**—Of common, may be $2.50 per share when offered.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

Mid-Atlantic Corp.
July 26 (letter of notification) 120,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For investments in other businesses. **Office**—2 Main St., Bradford, Pa. **Underwriter**—William T. Bowler & Co., Bradford, Pa.

Montana-Dakota Utilities Co. (9/8)
Aug. 11 filed $5,000,000 of first mortgage bonds due Sept. 1, 1979, and $7,000,000 of first mortgage serial bonds due March 1, 1956-1975, inclusive. **Proceeds**—To redeem $2,550,000 4.50% serial bonds; and toward prepayment of $10,000,000 of notes payable to banks. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc. **Bids**—Expected to be received on Sept. 8.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

Continued on page 36

Continued from page 35

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ New England Electric System (9/28)
Aug. 20 filed 910,883 shares of common stock (par $1) to be offered for subscription to common stockholders on the basis of one new share for each 10 shares held at the close of business on the record date (expected to be Sept. 29). **Proceeds**—To construction programs of its subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 28.

★ New-Mar Uranium Corp., Denver, Colo.
Aug. 18 (letter of notification) 2,950,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—718 Majestic Bldg., Denver, Colo. **Underwriter**—None.

New Mexico Copper Corp., Carrizozo, N. M.
June 14 (letter of notification) 198,000 shares of capital stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For acquisition of power plant, improvement of mill, development of properties and general corporate purposes. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

● North Central Airlines, Inc.
June 15 (letter of notification) $300,000 of 10-year 6% convertible debentures due July 31, 1964 being offered to common stockholders of record Aug. 5 on the basis of $100 principal amount of debentures for each 100 shares held (with an oversubscription privilege); rights to expire on Sept. 15. **Price**—At 100% and accrued interest. **Proceeds**—To reduce trade accounts payable and for working capital. **Office**—World-Chamberlain Field, Minneapolis, Minn. **Underwriter**—None.

★ Northern Valley Consumer's Cooperative, Inc.
Aug. 18 (letter of notification) 6,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For equipment and improvements. **Office**—315 Broad Street, Leonia, N. J. **Underwriter**—None.

North-West Telephone Co.
July 30 (letter of notification) 3,000 shares of common stock being offered for subscription by stockholders. **Price**—At par ($50 per share). **Proceeds**—For capital improvements. **Office**—119 Monona Ave., Madison, Wis. **Underwriters**—Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300 000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Oklahoma Gas & Electric Co. (9/14)
Aug. 16 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Smith, Barney & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Sept. 14 at office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York City.

Oi Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

● Pacific Telephone & Telegraph Co. (9/1)
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders of record Aug. 31 in ratio of one share for each seven shares of common and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings. **Underwriter**—None. American Telephone & Telegraph Co., the parent, owns 91.1% of common stock and 78.2% of preferred stock. Statement effective Aug. 24.

Pacific Western Oil Corp.
June 25 filed 100,000 shares of common stock (par $4). **Price**—At market. Shares to be offered from time to time on the New York Stock Exchange, and may be offered to specific persons, firms or corporations in off-the-floor sales. **Proceeds**—To J. Paul Getty, President. **Underwriter**—None. Statement effective Aug. 11.

Peabody Coal Co., Chicago, Ill.
July 14 (letter of notification) 17,300 shares of 5% convertible prior preferred stock (par $25). **Price**—At market (estimated at $11.75 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—Fairman, Harris & Co., Inc., Chicago, Ill.

Peoples Securities Corp., New York (9/1)
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

● Petaca Mining Corp., Santa Fe, N. Mex. (9/8)
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Offering**—Expected shortly after Labor Day.

★ Quinby & Co., Inc., Rochester, N. Y.
Aug. 18 filed $1,250,000 of shares in the Quinby Plan for Accumulation of Common Stock of E. I. du Pont de Nemours & Co. (Inc.).

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

★ Rectisel Corp., Homer City, Pa.
Aug. 20 (letter of notification) 1,675,069 shares of common stock (par one cent) to be offered in exchange for stock of Electronic Devices, Inc. on a one-for-four basis. This offer is subject to acceptance by holders of not less than 51% of the EDI stock.

● Resort Airlines, Inc., Miami, Fla.
Aug. 5 (letter of notification) 1,361,972 shares of common stock (par 10 cents) being first offered to stockholders of record July 30, 1954; then to public. **Price**—20 cents per share. **Proceeds**—For maintenance of equipment, to reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

Rockhill Productions, Inc.
July 15 (letter of notification) warrants to purchase 23,029 shares of common stock. **Price** — $2 per share. **Proceeds**—To two selling stockholders. **Underwriters**—Mortimer B. Burnside & Co., Inc. and Batkin & Co., both of New York.

● Rocky Mountain Uranium Corp. (8/27)
Aug. 9 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1.15 per share. **Proceeds**—For mining operations. **Office**—Mercantile Commerce Building, Dallas, Texas. **Underwriter** — Peter Morgan & Co., New York.

Ross (J. O.) Engineering Corp.
Aug. 12 (letter of notification) 3,500 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—To Ryan Sadwith, Vice-President. **Underwriter** — Granbery, Marache & Co., New York.

Santa Fe Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development of properties. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

★ Save-A-Life Corp.
Aug. 18 (letter of notification(4.237 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—To finance sales for buyers of automatic fire alarm systems. **Office**—803 State Street, Schenectady, N. Y. **Underwriter**—None.

Shasta Copper & Uranium Co., Inc.
Aug. 6 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—612 Dooly Building, Salt Lake City, Utah. **Underwriter** — To be named by amendment.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

Southern Bell Telephone & Telegraph Co. (8/31)
July 30 filed $55,000,000 30-year debentures due Sept. 1, 1989. **Proceeds** — To repay advances from American Telephone & Telegraph Co., parent, and for general corporate purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 31, at Room 2315, 195 Broadway, New York, N. Y.

Southwestern Uranium Trading Corp.
Aug. 2 (letter of notification) 1,500,000 shares of common stock (par 17 cents). **Price**—20 cents per share. **Proceeds**—For mining activities. **Office**—Silver State Bldg., Denver, Colo. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

● Standard Coil Products Co., Inc. (9/13-14)
Aug. 17 filed 189,655 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—A. C. Allyn & Co., Inc. and Dempsey & Co., both of Chicago, Ill.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

Supermarket Merchandisers of America, Inc. (9/8-9)
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ Supervised Shares, Inc., Des Moines, Iowa
Aug. 23 filed 300,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● Sylvan Life Insurance Co. (Utah)
Aug. 9 (letter of notification) $200,000 of 20-year debenture notes and 10,000 shares of common stock (par $10) to be offered in units of a $20 note and one share of stock. **Price**—$30 per unit. **Proceeds**—For operating capital. **Office**—Utah Savings and Trust Building, Salt Lake City, Utah. **Underwriter**—None.

★ Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tampa Electric Co. (9/22)
Aug. 16 filed 50,000 shares of cumulative preferred stock, series B (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; White, Weld & Co. and R. W. Pressprich & Co. (jointly); Goldman, Sachs & Co. **Bids**—Scheduled to be received up to 11 a.m. (EDT) on Sept. 22 at 49 Federal Street, Boston, Mass.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ Techbuilt Homes, Inc., Cambridge, Mass. (8/31)
Aug. 16 (letter of notification) 120,000 shares of common stock (par 10 cents.) **Price**—$2.50 per share. **Proceeds**—For research and development and general corporate purposes. **Office**—55 Brattle Street, Cambridge, Mass. **Underwriter**—Aetna Securities Corp., New York.

★ Templeton & Liddell Fund, Inc., Englewood, N. J.
Aug. 19 filed 3,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Texas International Sulphur Co., Houston, Texas
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers & Co., New York, on a "best efforts" basis. **Offering**—May be made some time in September.

Thatcher Glass Mfg. Co., Inc.
Aug. 10 (letter of notification) 2,500 shares of common stock (par $5). **Price** — At market. **Proceeds** — To Franklin B. Pollock, Chairman of the Board. **Underwriter**—Coleman, Fagan & Co., New York.

Thompson-Starrett Co. Inc., New York (9/9)
July 29 filed 145,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To repay $1,000,000 bank loans and for general corporate purposes. **Underwriters**—Blair & Co., Inc. and Emanuel, Deetjen & Co., both of New York.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

Titan Manganese Mining Corp.
July 12 (letter of notification) 299,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—A. L. Albee & Co., Boston, Mass.

★ Trans-Western Uranium Corp., Salt Lake City, Utah
Aug. 16 (letter of notification) 5,960,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office** 15 Exchange Place, Salt Lake City, Utah. **Underwriters**—Whitney & Co.; Call-Smoot Co.; Walter Sondrup; Atlantic Associates; James E. Reed & Co.; Amos C. Sudler & Co.; Selected Securities, Ltd., and Stradford L. Wendelboe & Co.

Uncompahgre Uranium, Inc. (Idaho)
Aug. 6 (letter of notification) 3,032,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—Salisbury Building, Idaho Falls, Idaho. **Underwriter** — William Lewis Clark, 917½ Main Street, Boise, Idaho.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

★ United Cities Utilities Co.
Aug. 10 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To repay short-term note, purchase applicance inventories from certain subsidiaries, and for working capital. **Office**—Room 938, Merchan-

dise Mart, Chicago 54, Ill. **Underwriter**—First California Co., San Francisco, Calif.

Voss Oil Co., Newcastle, Wyo.
July 1 filed 336,800 shares of common stock (par $1). **Price**—To be related to market. **Proceeds**—To 40 selling stockholders. **Underwriters**—John R. Lewis, Inc., Seattle, Wash.; and Coburn & Middlebrook, Inc. and Glidden, Morris & Co., both of New York. The registration statement also covers 2,413,200 shares of common stock which may be offered from time to time (but no definite plans are given).

Warren Oil & Uranium Mining Co., Inc., Denver, Colo.
Aug. 6 filed 65,000,000 shares of common stock (par one cent). **Price**—7½ cents per share. **Proceeds**—To purchase mining claims and exploratory equipment, and for exploration costs. **Underwriter**—Weber Investment Co., Salt Lake City, Utah.

Webb (H. S.) & Co., Glendale, Calif.
Aug. 9 (letter of notification) 6,000 shares of 7% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To retire funded debt, increase working capital and remodel store. **Office**—139 North Brand Boulevard, Glendale, Calif. **Underwriter** — Wagenseller & Durst, Inc., Los Angeles, Calif.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. Price—To be supplied by amendment. Proceeds—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. Underwriters — White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). Price—To be supplied by amendment. Proceeds—Together with other funds, to be used to build pipeline. Underwriters—White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

★ **Western Development Co., Santa Fe, N. Mex. (9/14)**
Aug. 20 filed 360,000 shares of capital stock (par $1) and 60,000 subscription warrants, of which 300,000 of the shares are to be presently publicly offered. **Price**—$5 per share. **Proceeds** — To purchase certain royalty interests located in New Mexico and Colorado and for general corporate purposes. **Underwriter**—J. G. White & Co., Inc., New York.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

White Eagle Uranium Co.
July 12 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—351 S. State St., Salt Lake City, Utah. **Underwriter**—Arlin Davidson, 39 Exchange Place, Salt Lake City, Utah.

Winter Park Telephone Co.
July 29 (letter of notification) 3,000 shares of 5% cumulative preferred stock. **Price** — At par ($100 per share). **Proceeds** — For additional facilities. **Office** — 132 E. New England Avenue, Winter Park, Fla. **Underwriter**—None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. Proceeds—To subsidiaries for their construction programs. Underwriter—None.

American Telephone & Telegraph Co. (9/21)
Aug. 18 directors authorized a new $250,000,000 bond issue to be dated Sept. 15, 1954 and mature Sept. 15, 1984. **Proceeds**—For additions and improvements to Bell System telephone service for the nation. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co. **Registration**—Planned for Sept. 1. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 21.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ **Chesapeake & Ohio Ry.**
Aug. 23 it was reported company may be considering a plan to refund its outstanding $37,851,000 3⅞% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

City Title Insurance Co., N. Y. C.
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., Kingston, N. Y.

Colorado-Western Pipeline Co.
Aug. 3 the Colorado P. U. Commission authorized company to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital (expected privately). John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbus & Southern Ohio Electric Co. (9/20)
Aug. 9 it was announced company plans to issue and sell 200,000 additional shares of common stock. **Price**—To be named later. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co. Inc., New York, and The Ohio Company, Columbus, Ohio. **Registration**—Expected about Aug. 31.

Columbus & Southern Ohio Electric Co. (9/29)
Aug. 9 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Company (jointly); Salomon Bros. & Hutzler; Union Securities Corp. and Glore, Forgan & Co. (jointly); White, Weld & Co.; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Sept. 29 at City Bank Farmers Trust Co., 22 William Street, New York 15, N. Y. **Registration**—Planned to be filed on or about Aug. 31.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. **Underwriter** — May be Tellier & Co., Jersey City, N. J.

Cott Beverage Corp.
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York.

General Beverage Canning Co. of Florida
June 15 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—$1 per share. **Underwriters** — Roman and Johnson, Fort Lauderdale, Fla., and possibly Aetna Securities Corp., New York.

General Beverage Canning Co. of Tennessee
June 15 it was reported company plans to sell around 300,000 to 400,000 shares of common stock. **Price**—$1 per share. **Underwriter** — Elder & Co., Chattanooga, Tenn.

General Telephone Co. of Upstate New York
July 2 it was reported company plans to issue and sell 50,000 shares of 5% cumulative preferred stock (par $25). **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

• **Georgia Power Co. (9/15)**
Aug. 19 company applied to SEC for authority to refinance its outstanding 433,869 shares of $6 preferred stock by issuance of an equal number of preferred shares bearing a dividend rate of not more than $4.92 per share. Holders will be given a choice of accepting one new preferred share and $5 in cash for each $6 preferred share held or the call price of $110 per share. The exchange period will be Sept. 15 to Oct. 4, according to present plans and the exchange offer will be mailed on Sept. 15. Unexchanged stock will be redeemed on Nov. 16. **Price** — Of new stock expected to be $105 per share. **Underwriters**—The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp. and Equitable Securities Corp. **Registration**—Expected on Aug. 26.

Green River Steel Corp.
June 9 it was reported company is planning to issue and sell $2,000,000 of 15-year first mortgage convertible bonds. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

★ **Gulf, Mobile & Ohio RR.**
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Hudson Pulp & Paper Co.
June 28 it was reported company may be considering some new financing. **Underwriter**—Lee Higginson Corp., New York.

★ **Illinois Central RR. (9/9)**
Aug. 20 it was announced company plans sale of $60,000,000 first mortgage bonds, series H, due 1989. **Proceeds**—For redemption of 3⅞% series E bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Drexel & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). **Bids**—To be received on Sept. 9. Invitations will be mailed on Aug. 27.

Indiana & Michigan Electric Co. (10/5)
July 8 it was announced company plans to sell $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp. **Registration** — Planned for Sept. 3. **Bids**—Tetnatively expected to be received up to 11 a.m. (EST) on Oct. 5.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Meeting**—Stockholders on April 27 approved new financing.

Kansas Power & Light Co.
May 4, D. E. Ackers, President, announced that the company plans to sell approximately $10,000,000 of bonds later this year. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

★ **Ketay Mfg. Corp.**
Aug. 23 it was reported this company, controlled by Lehman Brothers of New York City, may sell about $2,000,000 of common stock. **Under**—A. G. Becker & Co., Inc., Chicago, Ill.

Kimberly-Clark Corp.
July 21 it was announced stockholders will vote Aug. 17 on increasing the authorized common stock from 6,000,000 shares (no par value) to 12,000,000 shares (par $5), two new shares to be issued in exchange for each no par share now held, and to provide additional capital shares for future financing. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Laclede Gas Co.
Aug. 6 it was reported company plans to issue and sell $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.

Louisville & Nashville RR. (9/30)
July 7 it was reported that the company may issue and sell late in 1954 $30,350,000 of new first and refunding mortgage bonds due 2003. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected Sept. 30.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined

Continued on page 38

Continued from page 37

by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

National City Bank of New York (9/30)
Aug. 10 directors authorized a meeting of stockholders to be held on Sept. 20 to vote on a proposal to increase the capital and surplus of the company by $131,250,000 through the sale of 2,500,000 additional shares of capital stock (par $20) to stockholders early this fall for subscription on the basis of one new share for each three shares held as of Sept. 24; with rights to expire on Oct. 22. Subscription warrants will be mailed on or about Sept. 30. **Underwriter** — The First Boston Corp. will head group.

National Fuel Gas Co.
June 25, L. A. Brown, President, announced that the company plans to offer additional common stock to common stockholders this Fall on a 1-for-10 basis (with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter** — None. **Registration**—Expected in October, 1954.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

★ **New York Telephone Co. (10/19)**
Aug. 25 directors authorized issue and sale of $75,000,000 of 35-year refunding mortgage bonds. **Proceeds** — To refund $35,000,000 of 3⅞% series G bonds and repay back loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received on Oct. 19

Northern Pacific Ry. (9/20-24)
July 28 it was reported that company is contemplating the issuance and sale of $52,000,000 in new bonds. **Proceeds**—For refunding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. **Bids**—Expected to be received late in September.

Northern States Power Co. (Minn.) (9/28)
July 2 it was announced company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1964 on or about Sept. 28. **Underwriters**—To be determined by competitive biddings. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

● **Pacific National Bank, San Francisco, Calif.**
Aug. 18 it was announced common stockholders of record Aug. 16 were given the right to subscribe on or before Sept. 9 for 47,685 additional shares of common stock (par $20) on the basis of one new share for each two shares held. **Price**—$28.50 per share. **Proceeds**—$340,000 to retire outstanding preferred stock and the remainder to be added to capital and surplus. **Underwriter**—Elworthy & Co., San Francisco, Calif., and associates.

Pan-American Uranium Corp., Salt Lake City
June 30 it was announced that this company presently privately owned and financed, will have authorization for the issuance of 5,000,000 shares of stock. Any public financing may be handled by Kramer, Makris & Co., Houston, Tex.

Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

★ **Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.**
Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of new new share for each 14 shares held. **Price**—To be named later. **Proceeds**—To increase surplus and capital accounts.

Progas of Canada, Inc.
July 13 it was announced company plans to issue and sell to its stockholders an additional 1,200,000 shares of capital stock on the basis of slightly less than one new share for each four shares held (with an oversubscription privilege). **Price**—At par (25 cents per share). **Proceeds** — For capital improvements and working capital. **Underwriters** — Consolidated Coppermines Corp. and Burnham & Co., New York, have agreed to purchase, in proportions of two-thirds and one-third respectively, any of the unsubscribed shares.

● **Public Service Co. of Colorado (10/4)**
Aug. 1 it was announced company plans to issue $20,000,000 first mortgage bonds, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Dean Witter & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly). **Registration**—Expected in September. **Bids**—Expected to be received up to noon (EST) on Oct. 4.

Puget Sound Power & Light Co.
April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Ritter Finance Co.
June 8 it was announced stockholders will on Aug. 17 vote on increasing the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

● **San Diego Gas & Electric Co. (9/20)**
Aug. 13 it was announced company plans to offer 800,000 additional shares of common stock to common stockholders of record Sept. 14 on the basis of one new share for each four shares held; unsubscribed shares to be offered first to employees. Rights will expire on Oct. 5. Subscription period will open Sept. 20, with warrants to be mailed about Sept. 18. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Savannah Electric & Power Co. (10/26)
Aug. 10 it was announced company plans to sell $5,000,000 of first mortgage bonds, $3,000,000 of debentures and 30,000 shares of $100 preferred stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); The First Boston Corp.; Stone & Webster Securities Corp.; Blair & Co., Inc. **Registration**—Planned for Sept. 22. **Bids**—Expected Oct. 26.

Sierra Pacific Power Co. (10/6)
Aug. 16 it was reported company plans to offer to common stockholders of record about Oct. 6 a total of 34,807 shares of common stock; rights to expire Oct. 22. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Dean Witter & Co.

Sierra Pacific Power Co.
Aug. 16 it was reported company plans to issue and sell $4,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Kidder, Peabody & Co. **Registration**—Planned for Oct. 8.

● **Southern Pacific RR. Co.**
July 28 it was announced company has applied to the ICC for authority to issue $21,091,000 of first mortgage bonds due Jan. 1, 1996. **Proceeds**—To reimburse treasury for capital expenditures previously made. There will be no private or public offering, the bonds to be retained in company's treasury.

★ **Spencer Chemical Co.**
Aug. 23, Kenneth A. Spencer, President, announced company plans to issue and sell 150,000 shares of a new preferred stock (par $100). **Price**—To be named later. Proceeds—To redeem 76,865 outstanding shares of 4.60% preferred stock at $102.50 and accrued dividends, and for general corporate purposes. **Underwriters**—Morgan Stanley & Co. and Goldman, Sachs & Co. **Meeting**—Stockholders on Sept. 24 will vote on authorizing 250,000 shares of new preferred stock.

Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

★ **Virginia Electric & Power Co.**
Aug. 20 directors approved in principle a plan to sell 600,000 additional shares of common stock this Fall. They will be offered to common stockholders at the rate of one new share for each 10 shares held on the record date, which is presently expected to be in November. **Proceeds** — To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.

Welex Jet Services, Inc.
June 14 it was reported company may in September announce plans to issue and sell additional common stock to stockholders. **Underwriter**—If underwritten, it may be Laird & Co., Wilmington, Del. Two previous offerings to stockholders were not underwritten.

West Coast Transmission Co.
Oct. 14, 1953, it was announced company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Western Maryland Ry. (9/8)
July 13 it was announced company plans to issue and sell $16,000,000 of first mortgage bonds, series C, due Oct. 1, 1979. **Proceeds**—To redeem $12,632,000 of first mortgage bonds, series B, due 1976, and the remainder used to reimburse company for expenditures for capital improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected Sept. 8.

Western Massachusetts Electric Co.
July 12 it was reported company is planning sale in September of $6,000,000 debt securities. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—If determined by competitive bidding, probable bidders may be: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., and Blair & Co., Inc.

★ **Western Pacific RR. Co.**
Aug. 23 it was announced directors on Aug. 31 will consider a proposal whereby holders of 225,000 shares of outstanding preferred stock will be offered a voluntary exchange for units consisting of $100 of new 5% 30-year income (sinking fund) debentures and a fractional share of common stock for each share of preferred stock held. The remaining 83,211 shares of preferred stock will be called for payment. The exchange offer will be underwritten by Blyth & Co., Inc. and Union Securities Corp.

Western Pacific RR. Co.
June 30 stockholders approved a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Wheeling Electric Co.
June 28 it was announced company plans permanent financing. **Proceeds**—To retire bank loans. **Underwriter**—Previous bond financing in 1922 was handled by Dillon, Read & Co. Inc.

Wisconsin Power & Light Co. (10/5)
July 26 it was announced management is planning issuance and sale of $18,000,000 first mortgage bonds due 1984. **Proceeds**—To redeem $8,000,000 4% first mortgage bonds sold last year and $10,000,000 for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Lehman Brothers, Bear, Stearns & Co., Reynolds & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected about Oct. 5 with registration on or about Sept. 9.

Wisconsin Public Service Co.
July 28 it was reported company is considering the issuance of about $12,500,000 new securities. **Proceeds**—To refund $8,000,000 outstanding first mortgage 4⅛% bonds due 1983 and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dean Witter & Co.; The First Boston Corp. Previous common stock offer was underwritten by The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co.

Securities Salesman's Corner

By JOHN DUTTON

Fit Your Offerings to Your Customer

If you will catalogue your clients' preferences as to their investments you will observe that they fall into several major classifications. One of the most important services which clients expect of their advisors is that they are offered securities that fit their needs. Some years ago I remember that a certain firm made a general mailing on a highly speculative security and one of their top salesmen began to receive a very strong unfavorable reaction from a number of his most conservative accounts. They did not know that he had nothing to do with the offering which was unsuitable for their requirements. All they saw was an offering circular and his firm's name printed thereon. People who are conservative investors and who do not look for anything but safety and income cannot be blamed for being perturbed when they receive an offering of highly speculative securities from the firm with whom they have been doing business on a conservative basis for years.

Likewise, there are people who are interested mainly in capital gain situations. Some of them prefer growth companies that have a very substantial foundation both in their industry and financially. They pick securities very carefully and what they buy is usually thoroughly investigated. I know one man who has made several millions of dollars in the past 25 years through the exercise of patience and his ability to analyze companies that were growing or making a come-back. He bought New York City real-estate bonds and some in Chicago at fractions of their present worth; he can take most of the major railroads of this country and pick them apart as to their past history, their present capitalization, their territory served, etc., and do it by memory. He has fabulous profits today in common stocks that he bought for a few dollars and that have been split and re-split and today are quoted at substantial prices in the market. But if you bring him a situation you had better have it researched down to the last remaining decimal as far as the balance sheet is concerned, and you had also better know a great deal about everything else contributory to the convictions that cause you to believe in the future of your offering. Otherwise you won't be welcome the second time. If a situation doesn't have real merit and if it isn't an outstanding bargain, or have a definite reason for being bought, this man will not waste time on it.

Then there are people who only buy penny stocks or long-shot speculations. They seem to be congenital accumulators of low-priced stocks. They don't investigate very thoroughly, they buy emotionally and often spread out over many different issues. They just keep buying cheap stocks. They are good to know if you have some of this type of merchandise from time to time. But of course don't try to change them into investors. Don't offer them conservative investments. They like it the other way.

These things are all academic but sometimes we forget how simple retailing of investments can be if we would only classify our customers and prospects. There are those who will fall into all three of the above classes, or two of them. There are overlapping cases of people who will "cut off a corner" for a speculation once in a while. These things should be noted. But care should be used in making all offerings because people do want to feel that you understand their needs and investment requirements, and also that you take their business seriously enough so you will not make offerings to them that are out of line with their own standards and preference as to investment.

DIVIDEND NOTICES

CSC

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 79

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1954, to stockholders of record at the close of business on September 3, 1954.

A. R. BERGEN, *Secretary.*

August 23, 1954.

THE COLORADO FUEL AND IRON CORPORATION

DIVIDEND NOTICE

The Board of Directors of The Colorado Fuel and Iron Corporation declared the regular quarterly dividend on the series A $50 par value preferred stock in the amount of 62½ cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock in the amount of 68¾ cents per share, both payable on September 30, 1954 to stockholders of record at the close of business on September 3, 1954.

The Board of Directors of the corporation also voted today to declare a 2½ percent stock dividend on the outstanding common stock in lieu of a cash dividend.

The common stock dividend is payable September 30, 1954 to holders of common stock of record at the close of business on September 3, 1954. Shareholders will receive one additional share of common stock for each forty shares of common stock held on the record date. Fractional shares will be settled in cash.

D. C. McGREW, Secretary.

DREWRYS

A quarterly dividend of forty (40) cents per share for the third quarter of 1954 has been declared on the common stock, and the regular quarterly dividend on the 5¾% cumulative preferred stock of this company, both payable September 10, 1954 to stockholders of record at the close of business on August 25, 1954.

In the preceding period a quarterly dividend of thirty-five (35) cents per share was declared.

Drewrys Limited U. S. A., Inc.
South Bend, Indiana

T. E. JEANNERET, *Secretary and Treasurer*

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable Sept. 15, 1954, to shareholders of record August 31, 1954. Checks will be mailed.

A. WEDEMEYER, TREASURER

Philadelphia, Pa.
August 20, 1954

PHILLIES

America's No 1 cigar

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y.

On August 25, 1954, quarterly dividends of 43¾ cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable October 1, 1954, to stockholders of record at the close of business September 8, 1954.

J. P. McCAULEY, Secretary.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 158 of fifty cents (50¢) per share on the common stock payable October 15, 1954, to stockholders of record at the close of business on September 15, 1954.

GERARD J. EGER, Secretary

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 161

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable October 1, 1954, to stockholders of record at the close of business on September 15, 1954. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

August 19, 1954

The Board of Directors has this day declared a quarterly dividend of 30 cents per share on the capital stock of this Company, par $10, payable October 1, 1954, to stockholders of record at the close of business September 7, 1954.

STEPHEN G. KENT, *Secretary*

CHEMICALS
TEXTILES
PLASTICS

CELANESE

CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable October 1, 1954, to holders of record at the close of business September 3, 1954.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable October 1, 1954, to holders of record at the close of business September 3, 1954.

COMMON STOCK

12½ cents per share payable September 24, 1954, to holders of record at the close of business September 3, 1954.

R. O. GILBERT, *Secretary*

August 24, 1954.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 893

The Board of Directors has declared Dividend No. 893 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable September 10, 1954, to stockholders of record September 1, 1954.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
August 20, 1954.

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 147

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on September 20, 1954, to stockholders of record at the close of business August 30, 1954.

E. J. GOODWIN, Treasurer
New York, N. Y., August 19, 1954.

Newmont Mining Corporation

Dividend No. 105

On August 24th, 1954 the Directors of Newmont Mining Corporation declared a regular dividend of 50¢ per share on the 2,658,230 shares of its Capital Stock now outstanding, payable September 15th, 1954 to stockholders of record at the close of business September 1st, 1954.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., August 24th, 1954.

NATIONAL STEEL *Corporation*

NATIONAL STEEL

99th Consecutive Dividend

The Board of Directors at a meeting on August 19, 1954, declared a quarterly dividend of seventy-five cents per share on the capital stock, which will be payable Sept. 14, 1954, to stockholders of record August 30, 1954.

PAUL E. SHROADS
Vice President & Treasurer

LONG ISLAND LIGHTING COMPANY

LONG ISLAND SERVICE LIGHTING COMPANY

Preferred Stock Quarterly Dividend

The Board of Directors has declared the following quarterly dividends payable October 1, 1954 to holders of Preferred Stock of record at the close of business September 10, 1954:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875

VINCENT T. MILES, *Treasurer*

August 25, 1954

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

August 24, 1954

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Thirty-seven and one-half Cents (37½¢) per share on its common stock, payable September 30, 1954, to stockholders of record at the close of business on September 16, 1954.

William G. Holman, *Treasurer*

DIVIDEND NOTICES

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 229

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable October 1, 1954, to holders of record at the close of business August 31, 1954.

J. H. MICHAELI, *Treasurer*

August 17, 1954

Tennessee Gas Transmission Company

DIVIDEND NO. 28

The Board of Directors has declared a quarterly dividend of 35¢ per share on the Common Stock, payable October 1, 1954 to stockholders of record on September 3, 1954.

J. E. IVINS, *Secretary.*

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable October 1, 1954 to stockholders of record at the close of business September 1, 1954.

D. W. JACK, *Secretary*

August 20, 1954.

UNITED FRUIT COMPANY

221st *Consecutive Quarterly Dividend*

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable October 15, 1954, to stockholders of record Sept. 10, 1954.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., August 16, 1954

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable September 20, 1954 to stockholders of record at the close of business September 10, 1954.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable September 20, 1954 to stockholders of record at the close of business September 10, 1954. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

August 17, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This is on the order of mouse-bites-cat news.

In the memory of living man it has almost never happened, but there DOES exist in the Federal government in Washington, D. C., an agency—and a New Deal agency—which not only is not making any passes to build up its bureaucratic empire, but further doesn't reach out to make a grab at a new power or authority when one comes floating within reach.

This particular agency is the Farm Credit Administration. In view of its history, this is something which nobody would expect.

Farm Credit was created out of the ruins of the old Federal Farm Board of the Hoover Administration. Its initial job was to refinance farmers' mortgage indebtedness during the agricultural depression of the 1930's.

There were two New Deal agencies created to deal with distress mortgage indebtedness. One was the Farm Credit Administration, which absorbed the Federal Land Banks and Intermediate Credit Banks, of the old Farm Loan Board. The other was the Home Owners Loan Corporation.

In the case of HOLC, now happily liquidated at a handsome profit to Uncle Sam, thanks to the inflation which began with the War to Make the World Safe for Communism, the government actually did not make a loan unless a debtor on urban mortgage were in danger of foreclosure.

Nothing so rigid was applied to the FCA. The FCA jawboned hard about its job being to refinance farmers in danger of foreclosure. Under "Henry the Morgue" Morgenthau, however, and his succeeding assortment of agricultural college-FCA chieftains, FCA looked upon a chance to pick up ANY mortgage, distress or otherwise, as about as delicious an occasion as finding an unidentifiable pocket book bulging with non-counterfeit cash.

Seek Loans Aggressively

Nobody knows how many more loans FCA made than there were cases of threatened foreclosure, unless maybe the FCA knows in its secret files. It was even rumored that two Land Bank Presidents who insisted upon character of the borrower as well as collateral were bounced in those hectic days, so anxious was FCA to take over the burdens of farmers' debts.

FCA through local farm loan associations (which make mortgage loans), and production credit associations (which make short or intermediate term production loans) has a formula. It is that the borrower must take out in stock of the particular association a sum which represents 5% of the proceeds of his loan. To be sure, the borrower doesn't put up his cold cash; he borrows his "capital investment." However, he pays it back before he is clear of the loan.

This therefore was a device to enroll a farmer in a borrowing cooperative. A similar scheme is required of farmers' cooperative marketing or purchasing associations which get accommodation through the FCA's Banks for Cooperatives, the 5% capital investment idea.

So on the surface the only reasonable hunch any one could get from the eagerness of FCA to take over everybody's mortgage loans was that it was hot for carving out a great system of cooperative credit.

Settles Down

In view of that post natal eagerness to expand, it has been a gradual surprise to watch FCA settle down to a strictly bourgeois mentality among the flowering nobility of world-saving New Deal agencies.

FCA's farm production loans got going in the mid-'30's. FCA's part of farmers' non-real estate debt has stayed closely within a range of from a low of 6.8% of all such farmers' debts to a high of not exceeding 7.8%, from 1945 through 1954. And all this time banks' share of non-real estate farm debt ranged from around 35% to nearly 43%.

In the mortgage field, Land Bank loans one time hit a peak of $730 million. Last year they made $301 million as farm lending on mortgage began to pick up, but at one time, in 1938, were at a low of $51 million of new loans for the year. What talks, however, are the percentages. In 1945 the percentage of the total farm mortgage debt held by the Land Banks was 24.5%. This share declined steadily to 5% in 1953, picking up slightly this year.

In the early '30s, FCA's Washington office had in the neighborhood of 1,500 employees. Today it has about 300.

Skips Second Trust

The contented tradesman mentality, however, was recently demonstrated when Senator Clint Anderson (D., N. Mex.) proposed to the Senate Committee on Agriculture that the Land Bank Commissioner second (and first) mortgage loans be revived by FCA. Senator Anderson's cattle ranchers in New Mexico were having credit trouble, due to the drought, and he figured some loose credit might be the way out.

FCA was queried by the Senate Committee on Agriculture. Their reply was technical and noncommital — sort of along the lines that if you are going to paint a fence you've got to have paint and a big brush. The Senate passed the revival of the Land Bank Commissioner Loan. When before the House committee the FCA boys explained they were not hot for the idea, the House committee killed the whole thing.

This, however, is the sort of an easy boarding house reach for power that a Federal agency seldom is so polite as to forego.

Contrast With Farmers' Home

Where FCA stands out, however, is in contrast with the Farmers Home Loan Administration of the Department of Agriculture. Farmers Home is the lineal descendant of Rex Tugwell's Resettlement Administration, after a couple of name changings. After RA it became Farm Security and then Farmers Home Loan Administration.

As this column reported a few weeks ago, Farmers Home, with the blessing of Ezra T. Benson, the Secretary of Agriculture, asked for authority to make second mortgage loans, a practice to which the government has not been a party since the ending of the Land Banks Commissioner loan a year or so after the war.

Since that report of a few weeks ago, things have been happening. Farmers Home not only got authority to make loans for water facilities both throughout the entire United States instead of in 17 arid states, but on a more liberal basis, and a few times as much money per loan.

For good measure, Farmers Home got itself a brand new agricultural credit empire. The new empire consists of two parts:

(1) "The Secretary of Agriculture (i. e., Farmers Home) is authorized, upon such terms and conditions as he shall prescribe, to make loans for the purpose of financing the improvement of farm land by soil or water conservation or drainage facilities, structures or practices, improvement of soil fertility, establishemnt of improved permanent pasture, sustained yield afforestation or reforestation, or other erosion preventatives, *and such other related measures as may be determined from time to time by the Secretary.* (Italics are those of this correspondent.)

Sky Is Limit

Under this broad language anything which leads to soil improvement, reforestation or afforestation, or the building of improved pastures, becomes the subject of a Farmers Home Loan Administration loan. In and out of Congress this raises a key point. Where will soil improvement, conservation, etc., begin, and production loans end?

It is open to serious doubt that bank or other lending has a safe niche in the agricultural credit field, when the bud of Farmers Home's new flower of agricultural credit bursts out into full bloom.

(2) In addition to authorizing direct government loans for these broad purposes abovementioned, Congress also voted a system of insurance by Farmers Home of bank or other institutional credit upon any terms Mr. Benson, with the advice of Farmers Home, shall prescribe, for all these purposes.

Initiative Comes From Congress

Whereas the initiative for the second mortgage for Farmers Home came from Secretary Benson, the initiative for the whole expanded Farmers Home Credit Empire, came from Congress. At first the members of the Committee on Agriculture dangled this whole new empire bait before the lower echelons of Farmers Home, much like in northern waters one must be gentle about the way he attracks a wall-eyed pike. Soon the lower echelons got the hot scent of the bait. The excitement fanned out into the higher echelons, and in the end Ezra and Mr. Eisenhower's Budget Director went for it on the record, hook, line, and sinker.

Initially Farmers Home — in the manner of the post 1933 Roosevelt New Deal—gets only $10.5 million to found the new agricultural credit empire. More will be forthcoming later.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"How come you can't remember a simple phone number and yet you can sit here singing every word of 'Gilly Gilly Ossenfeffer Katzenellen Bogen by the Sea'?"

Business Man's Bookshelf

Accounting Systems — Oscar S. Nelson and Arthur D. Maxwell—Richard D. Irwin, Inc., Chicago, Ill. (cloth).

How Money Is Managed — Paul Einzig — Penguin Books Inc., 3300 Clipper Mill Road, Baltimore 11, Md. (paper), 65c.

Journal of Political Economy— August 1954 — University of Chicago Press, Chicago, Ill.

Managing Securities—The Basic Principles of Investment—Sidney M. Robbins — Houghton Mifflin Company, 2 Park Street, Boston, Mass. (cloth) $8.

Mobility of Chemical Workers in a Coal-Mining Area—Gerald G. Somers — Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va.

Municipal Statistics, 1953 Annual Report—Department of Municipal Affairs, Toronto, Ont., Canada (paper) $5. (for the first copy; $1.25 for each additional copy).

New Provisions of the Revenue Code of '54 Highlighted—Commerce Clearing House, 225 North Michigan Avenue, Chicago 1, Ill. (paper) $1.

Our Stake in World Trade—Isador Lubin and Forrest D. Murden, Jr. — Foreign Policy Association, 345 East 46th Street, New York 17, N. Y.—paper—35 cents.

Profit and Loss Budgeting — W. D. Knight—Bureau of Business Research and Service, School of Commerce, University of Wisconsin, Madison 6, Wis.—paper—$1.15.

Pension and Profit Sharing Provisions of the Internal Revenue Code of 1954—Meyer M. Goldstein—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

Savings & Loan Fact Book: 1954 —United States Savings and Loan League 221 North La Salle Street, Chicago 1, Ill. (paper).